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FINANCIAL TIMES

World Business Newspaper http://www.FT.com WEDNESDAY SEPTEMBER 23 1998

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WORLD NEWS

French government set to form pension reserve fund

France's Socialist-led government is to form a special reserve fund in 1999 to cope with a surge in demands on the state-run pensions scheme in the early years of the next century. **Page 2**

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No room for Queen on euro notes
National symbols will not be permitted on euro banknotes – ruling out the possibility of the UK displaying the Queen's head on notes if it joined the single currency. **Page 2; Editorial Comment, Page 17**

Allies likely to delay Kosovo action
The US and its allies are unlikely to carry out their threat of Nato intervention in Serbia's Kosovo province until late October. **Page 2**

Lesotho invasion ends in mayhem
A South African-led invasion to help end an army mutiny in Lesotho ended in mayhem when rebel soldiers fought back and hundreds of people burned and looted shops in the capital, Maseru. **Page 10; Editorial Comment, Page 17**

Vote for Clinton hearings likely
Congressmen investigating the Starr report's allegations against President Bill Clinton appear likely to vote to begin impeachment hearings next month in spite of indications public support for such a move was falling. **Page 18; Editorial Comment, Observer and Slow-motion lynching, Page 17**

Canadian PM under fire
Jean Chrétien, Canadian prime minister, is under fire over allegations about his role in the crackdown against protestors at last year's summit of the Asia-Pacific Economic Co-operation forum in Vancouver. **Page 6**

UN tries to defuse tension
Widespread condemnation of Afghanistan's Taliban militia by United Nations member states seems to have eased pressure on Iran's government to go to war, despite demands for an armed response to the crisis. **Page 10**

Storms head towards Haiti
A hurricane which has killed at least eight people in the north-east Caribbean hit the Dominican Republic, with 100mph winds tearing roofs from buildings and disrupting power and telephone services. **Page 7**

Mahathir defends arrest of deputy
Mahathir Mohamad, Malaysia's prime minister, defended the detention of his sacked deputy, Anwar Ibrahim, insisting he had no choice after rioting broke out. **Page 10**

Japan tries to rescue bank reforms
Japan's government and opposition parties scrambled to rescue their agreement on banking sector reform as confusion over the deal spurred fears of further market turmoil. **Page 10**

Aral Sea may dry up by 2015
Central Asia's dying Aral Sea may disappear by 2015, causing harmful and irreversible consequences for the population and the environment, Uzbekistan ecology officials said.

BUSINESS NEWS

Italy's Eni bucks oil market trend with first-half profit

Eni, Italy's main energy group and the world's seventh largest oil company, bucked the trend in the sector with a 39.4 per cent rise in first-half net profits. **Page 19; Lex, Page 18**

UBS, the Swiss bank, acquired controlling stakes in three joint ventures with Long Term Credit Bank of Japan, effectively ending their alliance. **Page 19; Divorce after a year, Page 20**

Venator, the US retailer formerly known as Woolworth, yesterday shed the last vestige of its old name by announcing the sale of its 357 variety stores in Germany for $552m. **Page 19**

Fiat, Italy's largest manufacturing group, warned full year pre-tax profits this year would be lower than last year's L4,182bn ($2.6bn), after reporting a 11.6 per cent fall in the first half to L2,001bn. **Page 22**

Iberia of Spain is likely to be one of the first non-aligned carriers to join Oneworld, the new five-airline global alliance led by British Airways and American Airlines. **Page 7**

Matsushita, the Japanese consumer electronics group, and Philips of the Netherlands both plan new plants to produce DVD-Video systems, the compact disc version of the video cassette. **Page 7**

The Basle Committee on Banking Supervision is to review its 10-year-old Accord on banks' minimum capital ratios with the aim of replacing it with more flexible rules. **Page 10**

The US mergers and acquisitions industry was reported to have hit its lowest period for 18 months, with less than $10bn of takeover deals announced in each of the past three weeks. **Page 19**

The Philippine government was preparing contingency plans to keep Philippine Airlines flying after its employees appeared to reject a deal critical to the airline's survival. **Page 20**

Peugeot said productivity at its Ryton, UK, plant had been raised so each worker would more than double individual output for the new 206 model. **Page 12**

Swissair's parent company, SAirGroup, is increasing its presence in the French air transport market by taking a 44 per cent stake in Air Littoral. **Page 22**

Azkar, Spain's leading transport and distribution group, became the first company to withdraw an initial public offering on Madrid's Bolsa exchange since equity markets tumbled last month. **Page 22**

Japan's big five carmakers said a collapse in domestic demand combined with a downturn in overseas markets had cut sales and output in August. **Page 4**

CrestCo of the UK, which operates the Crest electronic settlement system for share dealing, is to pay its first dividend and give customers £5m ($8.25m) in rebates after an unexpectedly big rise in profits. **Page 23**

World Equity Markets
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Oil chiefs to hold world summit

Major companies plan talks over slump in crude prices and international economic uncertainty

By Robert Corzine

Around 20 of the world's biggest oil companies are due to meet next week to discuss the crisis in the industry which is reeling from a slump in crude prices and growing global economic uncertainty.

The summit meeting, expected to be held in Europe, is thought to be the first time in recent years that oil industry chief executives have assembled informally for talks on the future of the sector.

The high-level talks coincide with intense speculation about large-scale consolidation following British Petroleum's surprise $38bn takeover last month of Amoco of the US.

A senior US energy lawyer has been invited to attend the summit to head off any suspicion that the oil majors intend to carve up markets or engage in price-fixing, according to one of the organisers.

Companies expected to participate include some of the biggest publicly quoted western oil companies, including Royal Dutch/Shell, BP, Chevron, Elf Aquitaine, Total and Eni.

Several of the largest state oil and gas groups, such as Saudi Aramco, the world's biggest oil producer and exporter, and Statoil of Norway, also plan to take part.

Russia will be represented by Gazprom, the country's biggest company and its largest single source of hard currency.

Victor Chernomyrdin, a former head of Gazprom who recently failed to be confirmed as Russian prime minister, is also likely to attend.

The chief executives of several leading independent oil companies, such as Lasmo of the UK and Sasol of South Africa, are also due to attend.

A senior European oil industry executive predicted that more big deals could result from the gathering. "Everybody is on the prowl," he said.

One company chairman said he "hoped to meet some interesting people, learn some interesting things and maybe do some interesting business".

Next week's meeting underlines how the squeeze on oil and natural gas prices is forcing the major private and state oil companies to radically rethink the structure of the industry. Last Friday Shell warned investors that global trading conditions in the oil and natural gas industry are the worst in five years, and announced the closure of four European headquarters.

There is widespread concern that average prices may stay relatively low in the next few years, especially if the economy in the US, the single biggest oil market, begins to slow.

Shell last week warned that crude oil prices "could stay depressed at between $12 and $16 per barrel" for two to three years.

The pace of world economic growth will largely determine whether oil prices recover in the medium term, but industry experts say many companies could boost their competitiveness and cut their costs through further mergers and alliances.

Unlike other mature, capital-intensive industries, new entrants are appearing because of the recent or planned privatisation of many state oil companies. The result is that competition in the worldwide sector is increasing at a time when margins are falling.

The oil industry chief executives are expected to debate a wide range of other issues, including growing environmental pressures and the impact of new technology, such as fuel cells.

They will also discuss the risks that companies face as they invest in areas that could turn into flashpoints, such as the Middle East and Central Asia, including the Caspian Sea development.

Lex, Page 18
Eni profits rise by 39%, Page 19

SPD 'ready to be junior partner in German coalition'

Statement by Kohl's poll rival reflects erosion of his position as front-runner

By Peter Norman in Bonn

Gerhard Schröder, the opposition Social Democratic party candidate in Sunday's German general election, yesterday signalled his party was willing if necessary to enter a "grand coalition" as junior partner with Chancellor Helmut Kohl's Christian Democratic Union.

Mr Schröder's carefully worded remarks highlight how a campaign in which the SPD was until recently the clear front-runner has turned into a cliffhanger.

The main parties and their likely coalition partners on left and right are so close, according to opinion polls, that the former communist Party of Democratic Socialism could hold the balance of power after the election, forcing a grand coalition and Mr Kohl's departure as chancellor.

"The statement, that the democratic parties must be capable of forming coalitions with each other, is true without any qualifications," Mr Schröder said in an interview with Germany's ZDF television channel.

In the interview, Mr Schröder said he would stay in Hanover as prime minister of the federal state of Lower Saxony if the election resulted in a CDU-led coalition with the SPD in Bonn.

Mr Kohl insists he will not head a grand coalition, so Germany could have a government headed by neither of the top candidates in the election campaign. The likely chancellor would be Wolfgang Schäuble, head of the CDU/CSU MPs in parliament and Mr Kohl's likely successor, with Oskar Lafontaine, the SPD leader, as vice-chancellor.

However, Mr Schröder added that he did not expect the CDU and the Christian Social Union, its Bavarian sister party, would emerge as the biggest parliamentary group in the Bundestag, Germany's lower house of parliament, and so be in a position to be the SPD's senior coalition partner.

A sharp narrowing of the SPD's opinion poll lead over the CDU/CSU followed the CSU's victory in the September 13 Bavarian state election. According to Infratest Dimap, a polling organisation, the lead was just two percentage points on Sunday compared with around nine points at mid-year and 12 points in April, shortly after Mr Schröder's selection as SPD candidate.

Mr Schröder yesterday ruled out a minority SPD government or a coalition of the SPD with the left-wing environmental Green party with a slender majority.

He named three conditions for an SPD-led coalition, which held the door open for a coalition with the CDU/CSU. These were "iron support for economic stability, no experiments on law and order and continuity in foreign policy". Mr Schröder also said he would not be firmly bound by SPD party conference decisions and, in a further demonstration of his independence, said he still planned to appoint Jost Stollmann, the controversial non-party former entrepreneur, as economics minister in his government.

Mr Stollmann was sharply criticised yesterday by senior trade union supporters of the SPD after calling for "bold policies to restructure" Germany's welfare state rather than "Social Democratic dreaming".

Applause for Kohl, Page 3
Unification turns sour, Page 16

Gerhard Schröder is hinting at power sharing deals after losing his earlier substantial poll lead Picture: Reuters

Fed official hints at US interest rate cut

By Clay Harris in London and Neil Buckley in Brussels

A senior Federal Reserve Board official yesterday nudged market expectations towards a possible US interest rate cut, ahead of Senate testimony today by Alan Greenspan, the central bank's chairman.

William McDonough, president of the Federal Reserve Bank of New York and deputy chairman of the Federal Open Markets Committee, which meets next week to consider any change in rates, said: "I believe the balance of risk has shifted from one about inflation to one of concern about adequate growth."

Mr McDonough cautioned that this view, based on anecdotal evidence in the US about investment plans, job reductions and consumer confidence, should not be taken as an indicator of what the FOMC would decide or even how he would vote.

His comments in London were also largely a restatement of comments made two weeks ago by Mr Greenspan, who is to testify to the Senate budget committee about global economic issues.

Mr McDonough said markets had over-reacted by concluding that a statement from the Group of Seven leading industrial countries last week pointed to co-ordinated interest-rate cuts.

G7 members had recently changed rates – up by Canada and down by Japan – for their own reasons. His views were echoed by Wim Duisenberg, the European Central Bank president, who yesterday ruled out a co-ordinated cut in interest rates with the US.

He said the priority for Europe, with only 100 days to go before the launch of the single currency, was to continue the process of interest rate convergence. Rates in much of the euro-zone, he added, were "significantly" lower than those in the US.

"We don't want that process to be interrupted by moves in interest rates co-ordinated with whomever, and especially not with those with significantly higher interest rates."

Interest rate cuts alone, he warned, were not enough to solve the economic crisis, pointing to what he called the "so far not very encouraging" results of Japan's rate cut.

Separately, Jean-Claude Trichet, Bank of France governor and Mr Duisenberg's designated successor at the ECB, said interest rate cuts were not on the agenda in France and other core countries in the euro-zone.

And Mr McDonough said he hoped the single European interest rate would be as close as possible to the lower rates in the zone in Germany and France.

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WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	7876.09	(−57.16)
NASDAQ Composite	1596.75	(+16.32)
Europe and Far East		
CAC40	3347.86	(+5.39)
DAX	4575.15	(+141.28)
FTSE 100	5103.3	(+113.0)
Nikkei	13,789.81	(+182.51)
US Lunchtime RATES		
Federal Funds	5.375%	
3-mth Treas Bills Yld	4.802%	
Long Bond	105⅝	
Yield	5.147%	
OTHER RATES		
UK: 3-mo interbank	7¾%	(same)
UK: 10 yr Gilt	117.2188	(117.298)
France: 10 yr OAT	109.33	(109.39)
Germany: 10 yr Bund	110.16	(110.22)
Japan: 10 yr JGB	116.05	(115.12)
NORTH SEA OIL (Argus)		
Brent Dated	$14.405	(14.31)

GOLD		
New York Comex		
	$287.5	(288.5)
London:		
	$289.45	(292.05)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.6855	
DM	1.88165	
FFr	5.6380	
SFr	1.3863	
Y	135.23	
London:		
£	1.6837	(1.6839)
DM	1.8949	(1.8929)
FFr	5.6488	(5.6419)
SFr	1.3902	(1.3837)
Y	135.25	(133.43)
Tokyo Close		Y 135.14
Sterling		
DM	2.8368	(2.8333)

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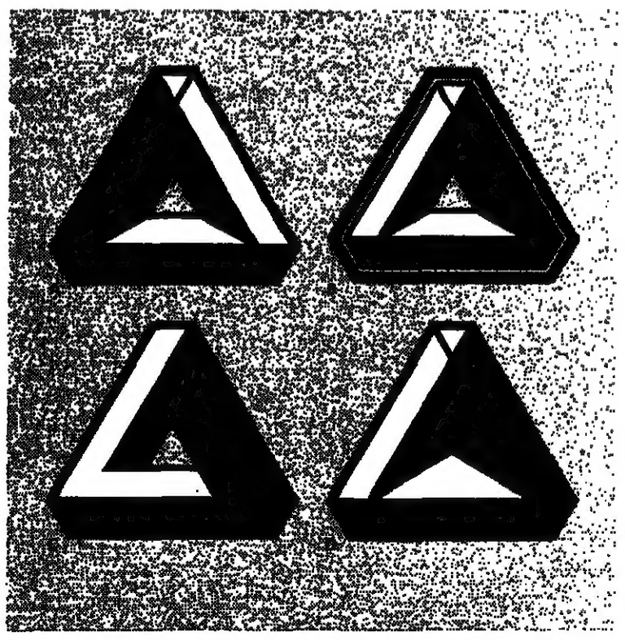

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WORLD NEWS

EUROPE

Central bank under attack in Moscow

By John Thornhill in Moscow

Yuri Boldyrev, deputy chairman of Russia's Accounting Chamber, yesterday accused the central bank of "gross violations of the law" over the past few months, saying it must be subject to greater financial accountability.

Mr Boldyrev, who has earned a reputation as a fierce anti-corruption campaigner, said the central bank had spent lavishly on salaries, property, and consultancy fees and made big discretionary loans with little or no transparency.

He also announced the Accounting Chamber, which monitors government spending, would conduct an audit into how the latest $4.8bn tranche of an International Monetary Fund loan was spent. Russia's prosecutor general has launched an investigation into whether IMF money was misused.

Sergei Dubinin, former head of the central bank, has denied any wrongdoing while he was in charge and insisted that all IMF money was spent as intended.

Bankers said the central bank's efforts this week to free up frozen payments by injecting fresh liquidity into the banking system had not yet had much impact. On Monday, the central bank printed Rbs1bn ($63m) of new money and provided additional short-term credits to banks backed on frozen government debt. The central bank intends to repeat the exercise on Friday, but this time it will force more banks to participate.

The central bank has temporarily halted trading on Moscow's small electronic currency exchange market to try to prevent this extra liquidity from flooding into the hard currency market. The official rate for the rouble was set at 16.22 to the US dollar, down from 6.2 before the crisis began.

Andrei Kozlov, the first deputy chairman of the central bank, said he did not expect the small Rbs1bn emission to have a harmful effect on inflation. Base money increased by Rbs4.5bn to Rbs167.3bn between September 7 and 14.

Mikhail Zadornov, acting finance minister, also reiterated his position that the government would not resort to large-scale emissions in the next two to three months to finance its needs. "We will suggest tax reform," he said.

But Mr Zadornov's position within the government is not yet clear. It also emerged yesterday that Boris Fyodorov, the tough-talking reformer who had devised an emergency financial package for the previous government, would not find any "space" in the new cabinet.

● Russia said yesterday it would open 10 secret cities at the core of its nuclear weapons complex to foreign investment in a US-backed effort aimed at redeploying highly skilled workers in the civil economy, Reuters reports from Vienna.

Yevgeny Adamov, Russia's minister of atomic energy, and Bill Richardson, US energy secretary, signed an accord which includes $30m of US funding in 1999 to bring jobs to the cities' 600,000 inhabitants.

Russia's economic turmoil has made job offers to nuclear weapons engineers more attractive and has frightened off investment.

No room for Queen on euro banknotes

By Neil Buckley in Brussels and David Wighton in London

National symbols will not be permitted on euro bank notes, after a decision by European Central Bank governors – ruling out the possibility of the UK displaying the Queen's head on notes if it joined the single currency.

Wim Duisenberg, ECB president, revealed yesterday that the bank's governing council – including representatives of the 11 members of the first wave of monetary union, but no British representative – had taken the decision on September 11. It contradicts an earlier decision on euro coins, which will display a national symbol on one side and a standard Europe-wide design on the other.

EU finance ministers had previously informally agreed that up to 20 per cent of one side of the notes could be devoted to a "national feature", but gave the final say to ECB governors.

Officials said the bank had hinted several times it did not favour national symbols on notes, which will be centrally printed for the whole of the EU, since this would raise printing costs and complicate distribution. In contrast, each country will mint its own euro coins – France, Belgium and Finland have already begun.

British politicians opposed to replacing sterling with the single currency attacked the move but expressed confidence it would help their case. John Redwood, the Conservative party's industry spokesman, said: "The decision to keep the Queen's head off the euro banknote will put a lot more people off the euro in Britain."

But the Treasury said that the Maastricht treaty made it clear that the issue of euro bank notes was a matter solely for the ECB.

The news came as Mr Duisenberg held his first quarterly meeting with European Parliament members in Brussels.

Answering MEPs' questions, Mr Duisenberg ruled out a co-ordinated interest rate cut with the US aimed at easing the global economic crisis.

His comments came a week after finance ministers and central bankers of the Group of Seven leading industrial countries promised concerted action if necessary to stimulate their economies.

The G7 call was widely interpreted as a hint that a concerted lowering of interest rates was possible if market turmoil continued and growth was threatened.

But Mr Duisenberg said Europe's priority was to continue the process of interest rate convergence, with the launch of the euro only 100 days away.

"We have in Europe come up, together with the US, with the idea that there is no need for, nor room for, co-ordinated action on interest rates," he said.

With short-term interest rates in much of the euro-zone at around 3.5 per cent, and longer-term rates at 4 per cent, the yield curve was "very flat", Mr Duisenberg added, and there was no evidence that real interest rates were too high.

KIEV REFORMS POLITICIANS POINT TO RUSSIA'S EXPERIENCE AMID DISENCHANTMENT OVER LOAN CONDITIONS

Ukraine wearies of IMF remedies

By Charles Clover in Kiev

For a brief moment late last July, Ukraine finally began its economic renaissance. After years of trench warfare between the country's parliament and the president, it had secured finally a compromise on how to reform the economy.

A ticking government debt bomb had been defused by the timely delivery of a $2.2bn International Monetary Fund loan, which over the next three years would replenish Ukraine's diminished hard currency reserves and restore the country's tarnished reputation.

After years of political and economic paralysis, Ukraine seemed at last to be looking outward, able at least to contemplate joining the European Union.

Two weeks later, the rouble collapsed. As Ukraine's hryvnia began to slide, falling by 34 per cent since mid-August, the delicate consensus among the country's élite began to disintegrate.

One by one, parliament has begun picking off a series of decrees issued last summer by Leonid Kuchma, president, which addressed conditions for the loan provided by the IMF. These decrees were aimed at raising utility prices, cutting the budget, deregulating the economy, and privatising large-scale industry.

It is not just the communists who have grown cold on market economics. "The IMF loan is very generous, but many of the conditions they have set do not correspond to our situation," said Volodymyr Chernyak, an economist from the nationalist Rukh party.

Even some government officials close to the president, such as Alexander Razumkov, Ukraine's deputy director of national security, have become disenchanted with IMF medicine. Look at what happened to Russia, which had a similar IMF programme for two years, they say.

"IMF conditions for Ukraine need to be seriously analysed in the wake of what happened in Russia," said Mr Razumkov. "The clever learn from their own mistakes, but the truly wise learn from the mistakes of others."

As they lose faith in IMF-prescribed policies, some of Ukraine's politicians are eagerly switching their gaze from west to east.

Over the weekend, Mr Kuchma met Boris Yeltsin, Russia's president, to discuss ways of re-invigorating the Russia-dominated Commonwealth of Independent States as a way out of the crisis. Both Russia and Ukraine have been reduced to trading largely in barter in order to conserve precious hard currency supplies.

Ukrainian officials insist they can build bridges to the east without endangering their ties to the west. But there is little doubt that Ukraine's choice of an economic model will determine its ability to join the EU.

"Our choice of economic model absolutely presupposes a certain external orientation," said Mr Razumkov.

Sweden's Left spells out terms

By Greg McIvor in Stockholm

Sweden's former communist Left party, buoyed by its record showing in Sunday's general election, yesterday demanded a four-year co-operation pact with the ruling Social Democrats and suggested the government's public spending cap might have to be lifted to accommodate new investment.

The party, Sweden's third largest after winning 12 per cent of the vote, made clear its opposition to further privatisation of state-owned industries and said it would negotiate with the SDP over a cash injection for welfare services.

Gudrun Schyman, Left party leader, stressed she was not interested in an *ad hoc* parliamentary alliance with the SDP. "We want a long-term collaboration stretching through the whole [four-year] mandate period. We want political stability," Ms Schyman said. However, the Left had no plans to demand a formal coalition and cabinet seats.

Prime minister Göran Persson's SDP, jolted by its worst general election result in 70 years, requires support from at least two other parties to form a workable administration. Mr Persson has indicated he will turn to the Left and the Green party and Ms Schyman said yesterday she expected talks to start imminently.

Ms Schyman said the Left would seek to influence the annual budget, due to be unveiled on October 13, and negotiations were likely to cover a possible easing of public spending constraints.

She hinted this might be necessary because the financing of certain policy initiatives, including an SDP campaign pledge to expand state childcare services, was "unclear". Another option was to raise taxes.

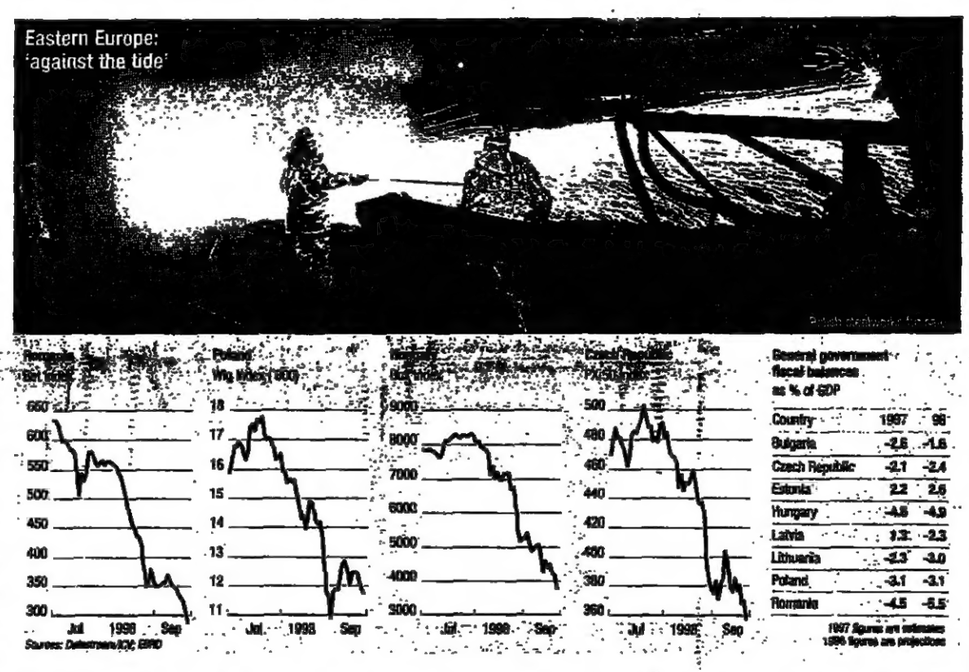
Ms Schyman indicated the party would press its case for a referendum next year on Swedish participation in European economic and monetary union. The Left wants Sweden to secede from the European Union and would demand a referendum on this if voters rejected Emu.

Senior Left officials said the party was also "very negative" towards any sale of the government's stake in MeritaNordbanken, one of Scandinavia's largest banks, and Telia, the state telecommunications operator.

Other core Left party goals which are likely to be included in negotiations with Mr Persson are the adoption of a 35-hour working and the continuation of moves to decommission the country's nuclear industry.

E Europe feels the pressure over sell-off prices

Emerging market fund managers are starting to be choosy, writes **Stefan Wagstyl**



General government fiscal balances as % of GDP

Country	1997	98
Bulgaria	-2.8	-1.6
Czech Republic	-2.1	-2.4
Estonia	2.2	2.6
Hungary	-4.5	-4.9
Latvia	1.3	-2.3
Lithuania	-2.3	-3.0
Poland	-3.1	-3.1
Romania	-4.5	-5.5

1997 figures are estimates
1998 figures are projections

Daniel Daianu, Romania's finance minister, surveyed his privatisation plans in the wake of the turmoil in world markets: "Now we are swimming against the tide of the capital markets."

His colleagues in the rest of eastern Europe know how he feels. While some might claim their countries are better placed than recession-hit Romania to press ahead with privatisation programmes, few expect their plans to remain unchanged. All will be under pressure from potential investors to cut prices.

Even the biggest planned flotation, the sale of a stake in TPSA, the Polish telecoms utility, has been affected.

Leszek Balcerowicz, Poland's finance minister, says it will go ahead as planned this autumn. But bankers close to the deal say the price could be 20 per cent lower than what might have been achieved in the summer. The estimated $10bn value put on the whole company now seems ambitious.

At the lower end of the scale, some other issues have already been delayed, including the Hungarian government's plan to float its remaining 28 per cent stake in K&H Bank on the Budapest Stock Exchange.

"Only the big quality offerings will get done. But even they are subject to price pressures," says Kevin Watson, head of central and eastern European equity capital markets at Dresdner Kleinwort Benson, the German-owned merchant bank.

The managers of specialist emerging markets funds are less gloomy but plan to be choosy about companies and countries, and demand low prices. Sylwia Starnawska, a fund manager at Guinness Flight, the UK asset manager, says: "Investors will feel comfortable about Poland, Hungary and the Czech Republic. But interest in the Baltics and the Balkans will be limited."

As a result, economic modernisation will be delayed and cash-strapped governments could find it difficult to plug the budget gap which privatisation revenues were meant to fill.

Governments may respond by switching offerings from equity markets to sales to strategic investors, typically multinational companies with longer time-horizons than fund managers.

This is already happening. Merrill Lynch estimates that the value of international equity offerings worth $40m or more from eastern Europe, excluding Russia, has reached only $1.44bn for the year so far, compared with $3.39bn in 1997.

Poland has the most ambitious privatisation programme, having, unlike Hungary and the Czech Republic, delayed its biggest disposals. As well as TPSA, disposals planned for the next few months include the sale of the government's 40 per cent stake in Bank Przemyslowo Handlowy. Four foreign banks are shortlisted.

The government is also close to selling a strategic stake in the HTS steel mill – probably to Voest Alpine of Austria. Ministers are keen to press ahead with offering a foreign bank a controlling 55 per cent stake in Pekao SA, the big bank in which a 15 per cent holding was floated in summer.

Altogether, state assets valued at 75bn zlotys ($20.9bn) are to be privatised by 2001.

In the Czech Republic, the key privatisation issue is to revitalise banking by selling controlling stakes to foreign banks in three big banks: Ceska Sporitelna, Komercni Banka and Ceskoslovenska Obchodni Banka. Milos Zeman, the prime minister, says they should be privatised by 2000.

The Russian crisis has made investors wary of bank stocks almost everywhere. Czech banks are in a particularly difficult position because, even before the turmoil, they were burdened with bad domestic loans.

Hungary is in the fortunate position of having privatised most key industries. The government still plans to sell Malev, the airline, Antenna Hungaria, the broadcasting company, and MVM, the electricity company which owns the grid and Paks nuclear power station. But only minority holdings will be offered and none is seen as urgent.

The crisis has a limited effect in Slovenia because the privatisation programme has largely involved transferring control of state assets to local managers. But the turmoil comes at a difficult time for Romania and Bulgaria, which lag behind central Europe in privatisation and are trying to accelerate their programmes.

In Romania, the government is negotiating to sell a 35 per cent strategic stake in Rom Telecom, the telecoms utility, to OTE of Greece. The original $4bn tag for the whole business now seems ambitious. Ministers also want to sell by the end of the year stakes in Romanian Development Bank and Banc Post.

In Bulgaria, the government is close to completing the sale of Balkan Airlines, the national carrier, to a local company funded with the help of US investors. Ministers have put a price of $150m on the deal, including the purchase, debt repayment and future investment in the airline. The government also plans to sell a 51 per cent stake in Bulgarian Telecommunications and a share of Bulgar Tabac, the tobacco monopoly.

In the Baltic states, the key privatisation planned for the next few months is the flotation of Eesti Telekom, the Estonian carrier, in which the Finnish and Swedish telecom utilities hold a strategic stake.

For investment bankers, life in the region has never been tougher. As one says: "In a bull market it's easy to look clever. Now we have to earn our money".

Additional reporting by Chris Bobinski, Robert Anderson and Kester Eddy

Spain rejects abortion bill

By Tom Burns in Madrid

The Spanish parliament yesterday rejected by one vote a bill that would have introduced abortion on demand within the first 12 weeks of pregnancy.

The vote represented a serious test and proved a narrow escape for the centre-right government of José Maria Aznar, whose Popular party opposes a relaxation of the existing abortion legislation but lacks a majority in parliament.

Voting on the bill, which was backed by the opposition Socialist party, had been preceded by noisy pro-life demonstrations outside parliament.

There were mailings to MPs urging them to oppose the bill, and the Catholic Church's Episcopal conference issued a virulent document denouncing the bill as "radically immoral".

The campaign probably tipped the balance against the Socialist initiative, which had come before parliament for the fourth time this year.

Josep Borrell, the Socialist party's candidate for prime minister in the next general election, said the bill would not be reintroduced during the current legislature.

In February, there were three consecutive tied votes on abortion. A similar bill was defeated two years ago in what was the first test of Mr Aznar's parliamentary strength.

Yesterday, most of the nationalist party MPs, who normally back the government, lined up behind the Popular party to turn down the bill by 173 votes to 172.

Penalties on abortion in Spain were lifted in 1985 by the then Socialist government in cases of rape, foetal malformation and danger to the mother's physical and mental health.

The latter clause has in practice covered almost all the estimated 50,000 terminations that are performed in Spain.

The Socialist bill sought to add a fourth clause that would enable the mother to have an abortion within the first 12 weeks if, in her own judgment, she faced the risk of "personal, family or social conflict".

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NATO INTERVENTION STRIKES WOULD BE ORDERED ONLY TO AVERT HUMANITARIAN CATASTROPHE

Allies likely to delay Kosovo action

By Guy Dinmore in Belgrade and Laura Silber at the UN in New York

The US and its allies are unlikely to carry out their threat of Nato intervention in Serbia's Kosovo province until late October, and only then if large numbers of ethnic Albanian refugees are still facing winter out in the open, senior diplomats said yesterday.

Recent comments by President Bill Clinton and German politicians, as well as moves by Britain and France to pass another UN Security Council resolution on Kosovo, have raised expectations that Nato is about to intervene. Nato defence ministers are to meet in Portugal tomorrow.

But western diplomats in Belgrade said Nato would delay for at least another month, despite a recent offensive by government forces against Albanian rebels that has displaced tens of thousands of civilians.

Igor Ivanov, Russia's new foreign minister, made it clear in a speech to the United Nations General Assembly yesterday that Russia's opposition to any use of force remained as strong as ever. "The use of levers of power to resolve the Kosovo conflict might lead to a big war with unpredictable consequences for the Balkan region and Europe at large," he said.

The US and its allies would order Nato intervention only if it could be justified in terms of averting a humanitarian catastrophe this winter, diplomats said.

Under one option, Nato would first launch "pin-prick" air strikes and then, if necessary, attack up to 180 Serbian surface-to-air missile sites, some close to Belgrade.

Yesterday, Serbian police units attacked ethnic Albanian villages on a ridge just north of the regional capital, Pristina. Witnesses said at least five villages were burning. UN aid workers said up to 20,000 more civilians had fled their homes last week.

Slobodan Milosevic, the president of federal Yugoslavia, said after meeting Chris Hill, the US mediator, on Monday, that large numbers of Albanians were returning to their homes with government help.

Aid workers confirmed that some thousands of displaced civilians had moved out of hills and forests to find shelter in urban areas.

The west also wants to give Mr Hill more time to negotiate an interim peace agreement between Mr Milosevic and Ibrahim Rugova, political leader of the Kosovo Albanian majority.

● Unidentified gunmen killed Ahmet Krasniqi, "defence minister" for the self-declared Republic of Kosovo, outside his home in Tirana, the Albanian capital, on Monday night, Albanian officials said. Mr Krasniqi was believed to be in Albania to drum up support for the separatist Kosovo Liberation Army.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Colin A. Kennard als Geschäftsführer and in London by David C M Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London. W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard Printer Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl- Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Marraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254. Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Bradley P Johnson. Telephone +46 8 791 2345 Printer AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.
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NEWS DIGEST

INTERNATIONAL FINANCIAL REFORMS

France to unveil plans to stabilise world markets

France will table proposals to reform international financial institutions and restore stability in the markets at the weekend meeting of euro-zone and EU finance ministers.

Dominique Strauss-Kahn, the French finance minister, said there were similarities with ideas outlined this week by Tony Blair, the British prime minister, who called for greater transparency of commercial bank positions and a reassessment of the role of the International Monetary Fund.

His main disagreement was with the way Britain announced its initiative. France, he said, wanted to co-ordinate policy through the council of the 11 members of the future euro-zone, and try to ensure that the three euro-zone finance ministers in the G7 adopted a common stance.

In his most sombre assessment yet of the impact of Asian and emerging markets turmoil, Mr Strauss-Kahn, said he expected French economic growth would fall back to 2.7 per cent from over 3 per cent this year. However, he said this would all be generated by domestic demand. **Robert Graham, Paris**

RUSSIA-JAPAN RELATIONS

Obuchi to visit Moscow

Keizo Obuchi, the Japanese prime minister, plans to make an official visit to Russia on November 11 and 12, the Japanese foreign ministry said yesterday. The trip there will be the first by a Japanese prime minister for 25 years.

The visit was announced after a meeting in New York on Monday between Masahiko Komura, the Japanese foreign minister, and his Russian counterpart, Igor Ivanov.

The Japanese official said Mr Ivanov made no request for additional financial aid from Japan at their meeting.

In April, the then prime minister, Ryutaro Hashimoto, and President Boris Yeltsin met in the Japanese resort town of Kawana, where they pledged to work towards completing a peace treaty by 2000. **Reuters, Tokyo**

IT WORKERS

Skill shortage hits W Europe

Western Europe faces a potential shortage of 1.8m workers in information technology within four years, resulting in excessively high wages, low productivity and delayed investment in the sector, according to a new report.

The skill shortage, amounting to some 12 per cent of the demand for IT workers by 2002, is likely to undermine European competitiveness, and exacerbate the lag in per capita IT investment between Europe and North America, an employment conference in Brussels heard yesterday.

The report, by IDC Research and Microsoft, says that the existing shortage has been reflected in the last 12 months by wage inflation ranging from 12 to 60 per cent. An increasing number of IT jobs are also being contracted out to service providers, and also to countries outside Europe. European employers and governments were showing little sign of awareness of the problem, and plans to address the shortage were "embryonic", the researchers said.

In a joint statement, nine IT providers organising the conference, including Microsoft, ICL, Cap Gemini and SAP, called on the European Commission and EU member states to establish a high-level advisory group to tackle the skills gap. **Quentin Peel, Brussels**

NORWEGIAN PREMIER

Bondevik returning to work

Norway's prime minister, Kjell Magne Bondevik, will be back at work as planned tomorrow after more than three weeks' sick leave due to depression, his office said yesterday.

"He is feeling better and expects to be declared fit by his doctor," said his spokesman, Oelvind Oestang.

Mr Bondevik, 51, a priest in Norway's Lutheran state church, went on sick leave on August 30, suffering from a "depressive reaction" to overwork. He was facing problems including a plunge in the price of oil to 10-year lows, a surge in interest rates and a fall in the value of the krone.

Squabbling among Mr Bondevik's minority three-party coalition, which controls 42 of parliament's 165 seats, added to his woes. **Reuters, Oslo**

ABKHAZIA ATTACK

UN observers wounded

Three United Nations military observers were wounded when unidentified gunmen opened fire on their bus in Sukhumi, capital of Georgia's breakaway Abkhazia region, UN officials based there said yesterday.

Two Bangladeshis and one Nigerian were wounded in the attack on Monday in the city centre. Another employee of the UN mission was also hurt. There were 10 people in the vehicle at the time.

Several UN military observers have been injured and one has been killed since the force, currently 90 strong, began patrols in 1993. Most have been hurt in a buffer zone between Georgia and Abkhazia, most often in incidents involving landmines.

The Abkhaz interior Ministry blamed Georgian authorities for the attack, but Georgian security officials said they had no information about the incident. **Reuters, Sukhumi**

POLISH POLITICS

Bid to open communist files

Polish legislators yesterday approved a bill which would allow people to view files on themselves gathered by the security police in the communist era.

The rightwing Solidarity bloc comfortably secured a 237 to 157 vote in parliament's lower house and the measure now goes to the Senate and the president for approval.

But it is still unclear if President Aleksander Kwasniewski, a former communist, will sign the bill. If he refuses, or is persuaded not to, the bill's advocates might find it difficult to muster the three-fifths majority needed to override his veto. **Reuters, Warsaw**

CAR POLLUTION CURB

Off the road in France

In an attempt to highlight the problems created by car pollution and congestion, 37 French cities yesterday banned private cars from their centres from 7am to 9pm. The operation, called "In town without my car", saw municipal authorities put on extra public transport and the encouragement of bicycles and non-conventional means of travel such as roller-blades.

Though the initiative was backed by big cities such as Paris, which established two large zones free of private cars, several mayors dismissed it as token propaganda for the Green lobby. **Robert Graham**

Kohl wins applause in an old-fashioned campaign

X German elections

Germany's chancellor seems to be thriving in a tough election battle, reports **Peter Norman** in Bonn

The chancellor looks a tiny figure in the distance: his head and shoulders barely visible for most of the 8,000 to 9,000 people squashed like sardines in the narrow market square of Neuss.

But, exuding confidence and commanding respect, Helmut Kohl's voice reverberates between the buildings as he throws all his energy into the final days of his campaign to extend his 16-year mandate to govern Germany.

Earlier in the evening Mr Kohl had been on his feet for nearly two hours when he addressed some 6,000 people in Bonn. That followed a press conference and his weekly meeting with the leadership of his Christian Democratic Union.

It is a schedule that would exhaust many younger men. But Mr Kohl is thriving on it. The presence of so many voters is an elixir for the 68-year-old chancellor. Seen at close quarters, he looks healthy and robust. Doubts about his health are easily forgotten.

Not that Mr Kohl's rhetorical style has improved. His speeches lack clear form. They hop from topic to topic. His diction, never particularly clear, stumbles over sibilants.

But he is bringing simple messages in this final "hot phase" of the campaign to the people of Bonn and Neuss, an ancient trading centre on the Rhine opposite Düsseldorf. The voters, a surprising number of them young, listen attentively. They applaud, suggesting that this old-fashioned electioneering for next Sunday's poll is paying dividends.

Some noisy far-left demonstrators get the chancellor off to a fighting start in Bonn. "I see a red flag. Good!" he exclaims. "That must be one of the last in the world – apart from those in Cuba!"

In Neuss, like Bonn a CDU stronghold, there are fewer demonstrators but, blowing whistles, they are trying to disrupt his speech. "Ha!" he barks and takes a swipe at the DGB, the trade union federation, which has spent DM8m ($4.7m) in support of the opposition Social Democratic party (SPD). "That's the DGB's contribution to rational debate."

The crowd laughs and Mr Kohl warms to his theme. The election is all about Germany's "direction" in the new century and millennium. The choice lies between his "coalition of the centre" and the SPD and environmental Greens who, he insists, would not hesitate to take office with the support of the former communist Party of Democratic Socialism (PDS) if necessary.

Mr Kohl looks back over "a century of two halves". The first half, culminating in war, ruin and "the loss of one third of the Reich area" was followed by the new federal republic. This has been anchored in individual freedom, which is now united and "with friends around the world, in America, France, Britain – and Russia".

The chancellor greets the crowds in a traditional campaign AP

He accuses Oskar Lafontaine, the SPD leader, and Gerhard Schröder, the SPD chancellor candidate, of being on the wrong side of history by opposing Nato missile deployment in the 1980s and German unification in 1990. The SPD's dependence on the PDS in the eastern state of Saxony-Anhalt is "totally unacceptable". It betrays the legacy of Kurt Schumacher, the SPD's first post-war leader, for whom communists were "fascists painted red".

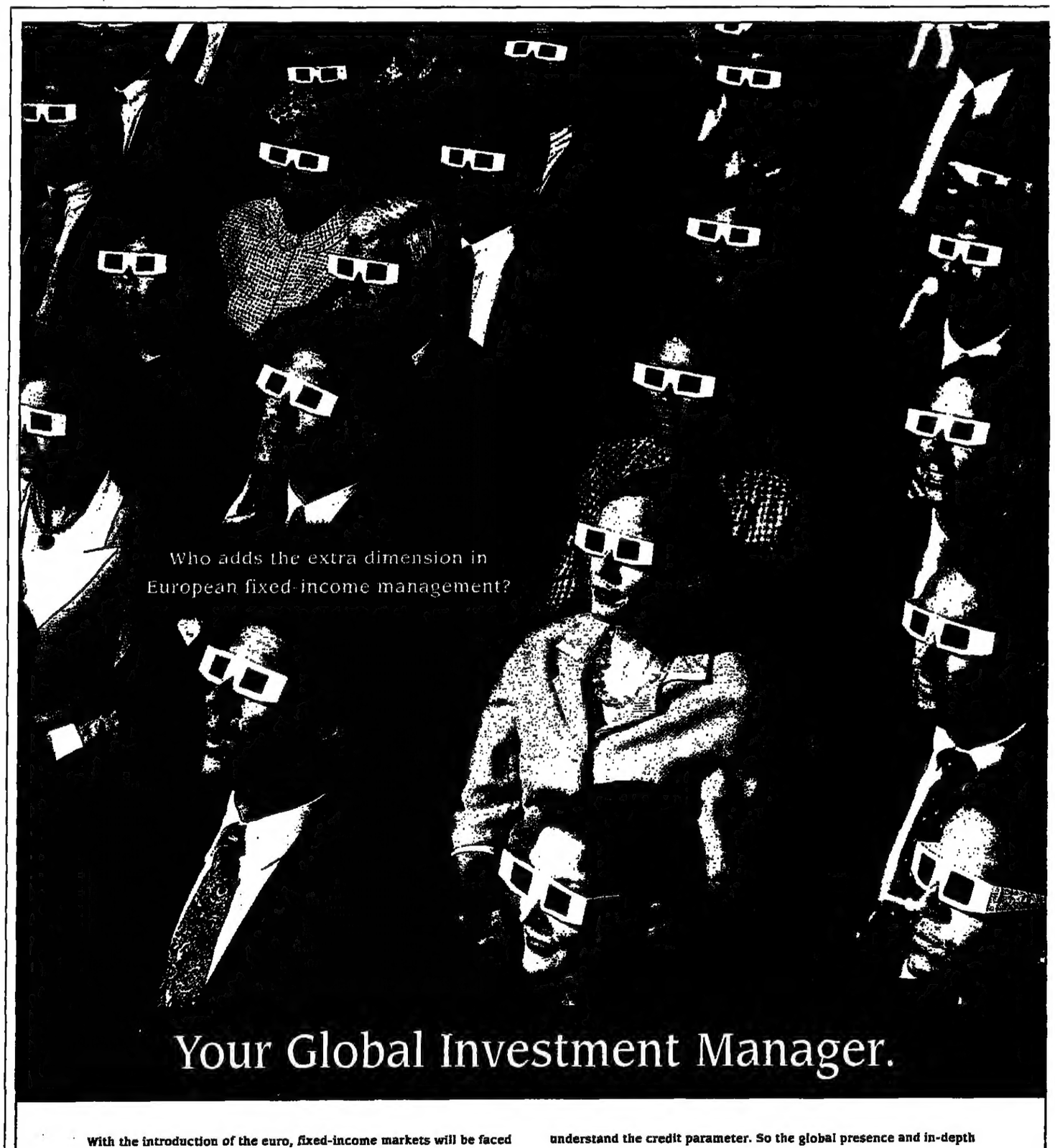
Mr Kohl invites voters to put him and his challenger to a simple test. He and Mr Schröder should be treated just like other job applicants. First, voters should read the letter of application; then quiz the local party candidates and finally, if possible, see the two top candidates for themselves. In an uncertain world, with crises in Asia, Russia or Kosovo – "just 1½ hours' flight from here" – there should be no contest, Mr Kohl implies.

"It is important to make the right decision: to make things secure and take no unnecessary risks by handing power to ideologists".

His speeches have a simple folksiness. "If someone came to your house on a Sunday and started throwing the furniture around, you would throw him out," he told the approving voters of Neuss, when explaining why Germany should expel foreigners who break the law.

Some of his lines, as when stressing the importance of research and development, could have come from a speech by Mr Schröder. At times, as when savaging the tax system as "something from the mad house", he talks as if he had nothing to do with government in the past 16 years.

But although Mr Kohl's rhetoric often harks back to the past and he is short on specifics about the future, there was no doubt in Bonn or Neuss that this was a man running hard for office. And playing on the fears, rather than the hopes, of the voters, he firmly believes he can win on Sunday.



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SOUTHERN AFRICA LOOTING FOLLOWS INTERVENTION BY SOUTH AFRICAN-LED FORCE TO PUT DOWN ARMY MUTINY IN KINGDOM

Invasion of Lesotho ends in mayhem

By Victor Mallet in Maseru

A South African-led invasion to help end an army mutiny in the mountain kingdom of Lesotho ended in mayhem yesterday when rebel soldiers fought back, residents shouted abuse at the South Africans and hundreds of people burnt and looted shops in the capital, Maseru.

The South African government said three of its soldiers had been killed and 11 wounded after a 600-strong invasion force supported by helicopters and armoured cars crossed the border yesterday morning.

They met resistance at two army barracks, the royal palace and the Katse Dam, part of the Lesotho Highlands Water Project designed to supply water to South Africa.

South African leaflets distributed in Maseru said "Combined Task Force Boleas" was a legitimate force of the 14-nation Southern African Development Community (SADC) designed to prevent anarchy in Lesotho. But the operation led to chaos in Maseru, and a convoy of 200 Botswana troops and equipment designed to give a multinational flavour to the invasion was still lumbering slowly towards Lesotho in the afternoon.

The intervention marks a complete U-turn by President Nelson Mandela in his approach to political disputes in the region.

Earlier, he had rejected military support for the beleaguered Congolese government of Laurent Kabila by Angola, Zimbabwe and Namibia, insisting on a political solution involving negotiations between rival factions, leading to an election. But he and his government have now come out in support of SADC's line that military force can be used to help legitimate governments.

"There was a coup in Lesotho and in terms of SADC policy, SADC decided to assist the government to normalise the situation so that political processes can take their course," Aziz Pahad, deputy foreign minister, told South African radio.

But residents of Maseru, including both Lesotho citizens and foreigners, were baffled by the South African invasion. The intervention was particularly surprising since South African ministers had been seeking to arrange talks between the Lesotho government and opposition until late on Monday night.

"Nobody will accept this in 1,000 years," Lefu Lechesa, a university administrator, said in the city centre as youths looted a shop behind him. "South Africans talked for five years to end their war. We fail to talk for one day and Mandela invades."

The intervention may have put down a military rebellion, but it does not appear to have discouraged the unarmed opponents of the government, a few dozen of whom remained camped around King Letsie's palace yesterday – where they have been gathered for six weeks.

"The old government [the National party regime which imposed apartheid] came here and attacked but they would never dream of entering the royal palace," said Mamello Morrison, spokeswoman for a group of five opposition parties that say the elections in May were rigged. "The Boers respected at least our monarch."

Lesotho is a former British protectorate entirely surrounded by South Africa. Its powerful neighbour has often intervened in its power struggles since independence in 1966. Many of its inhabitants work in South African mines, but thousands have lost their jobs in recent years as the mining industry modernised.

The most recent crisis erupted when the Lesotho Congress for Democracy of Pakalitha Mosisili, the prime minister, won 79 of the 80 parliamentary seats in the May election. A SADC commission of inquiry chaired by a South African judge found there had been some irregularities but said it could not conclude that the whole election should be nullified.

"There's no ideological differences," said Ms Morrison. "The problem is we believe the elections have been rigged."

Yesterday evening the sound of shooting still echoed around Maseru and a pall of smoke hung over the town as the South African troops sought to subdue pockets of resistance, especially at the Makoanyane barracks near the airport.

A few Lesotho policemen tried vainly to halt the looting, but hundreds of residents could be seen cheerfully walking home with everything from eggs and bottles of Fanta to clothing and radios looted from stores; some even took the goods on trolleys or in plastic supermarket shopping baskets.

Already the South Africans are being blamed for prompting the destruction of central Maseru and for killing the chance of political negotiations. They are likely to find it much more difficult to leave the country with their honour intact than it was to cross the frontier. "The South Africans have miscalculated badly," said one opposition sympathiser in Maseru. "We're definitely going to have to sort it out among the Basotho [the people of Lesotho]".

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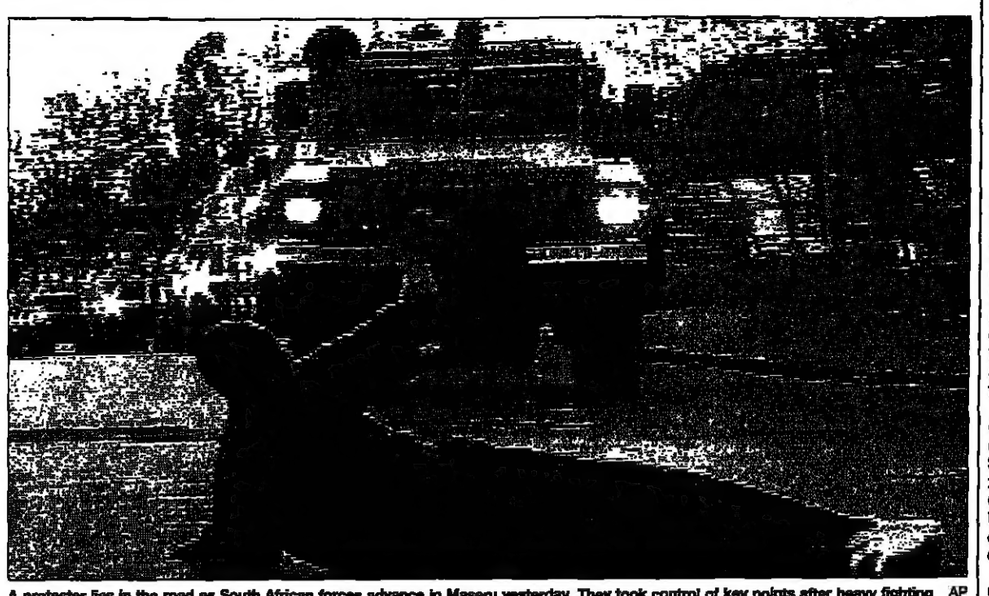


A protester lies in the road as South African forces advance in Maseru yesterday. They took control of key points after heavy fighting AP

Rules on bank capital ratios to be reviewed

By Clay Harris, Banking Correspondent, in London

The Basle Committee on Banking Supervision is officially to review its 10-year-old Accord on banks' minimum capital ratios with the aim of replacing it with more flexible rules.

The review, to be led by Claes Norgren, director-general of Sweden's Financial Supervisory Authority, will involve the entire Basle Committee, made up of banking supervisors and central bankers from the Group of Ten countries.

William McDonough, Basle Committee chairman and president of the Federal Reserve Bank of New York, said yesterday there was a "need to move expeditiously, and make significant progress in the next one to two years". The committee's first meeting on the issue is in London today.

Mr McDonough said: "I don't think there has been a more urgent need for the Basle Committee to exercise leadership in this arena than now" - a period he called "the most dangerous since the second world war".

The committee yesterday published three papers:

- Guidance on bank transparency, a "matter of the utmost importance", to encourage more meaningful public disclosure;
- A framework for internal controls systems;
- An assessment of banks' ability to manage operational risk.

On the Basle Accord, Mr McDonough expected that there would continue to be a minimum capital ratio, mathematically stated, like the 8 per cent standard in force since 1998.

But national supervisors were likely to work with individual banks in their own countries to develop standards on the economic capital required that were appropriate for each institution. These could be based on each bank's strategy, appetite for risk, internal controls and ability to manage their business well, Mr McDonough said.

The mechanistic simplicity of the 1988 accord has come under scrutiny because of the development of financial instruments which have allowed banks to engage in "regulatory capital arbitrage". By using securitisation, for example, they can assume greater risk without damaging their capital ratio.

As a result, banking experts have stepped up their study of "credit risk modelling", the subject of a conference organised this week in London by UK, US and Japanese regulators.

Mr McDonough said credit risk modelling was "not yet as robust" as market risk models. It was "intellectually fascinating, but still a work in progress". Describing such models as "revolutionary developments", he viewed them as a "catalyst for a complete rethinking of the theory and practice of credit risk management".

He also said: "Supervisors need to make sure the future regulatory capital framework addresses the needs of banks in emerging market countries and does not inadvertently drive a competitive wedge been G10 and non-G10 competitors".

In its paper on banking transparency, a committee sub-group recommended that banks publicly provide timely information on financial position (including capital, solvency and liquidity); risk management strategies and practices; risk exposures (including credit, market, liquidity, operational legal and other risks); accounting policies; and basic business, management and corporate governance information.

Disclosures had to be comprehensive, timely and reliable, the paper said. Such disclosure was based on the premise that markets can "reward banks that manage risk effectively and penalise those whose risk management is inept or imprudent".

Susan Krause, a senior US bank regulator who chaired the group, said: "Strong supervisors and adequate transparency work hand in hand to promote stable banking systems".

The paper acknowledged "inherent difficulties in making the riskiness of any enterprise transparent" and problems in achieving comparability because of different accounting standards. Disclosure standards would have to be balanced against proprietary data protection

Another potential drawback involved extra costs, though the relevant information should already be available internally in well managed banks.

> 'I don't think there has been a more urgent need for leadership in this arena than now'

Though disclosure might "cause problems when a bank is in a weak condition," it provided "incentives for healthy banks to continue conducting their operations in a sound and efficient manner".

In its second paper, the committee outlined a framework it encouraged supervisors to use, to evaluate internal controls over banks' on- and off-balance sheet activities.

Roger Cole of the Federal Reserve Board, who co-chaired the sub-group, said internal control needed to be viewed as a continuous process throughout a bank.

Christine Cumming, senior vice-president of the New York Fed, said operational risk, the subject of the third paper, still lacked a firm definition, but should be viewed as the "risk of loss from technical breakdown, human error or fraud".

This paper, a survey of current practice in about 30 leading banks in member countries, found senior managers' awareness of operational risk increasing, but most banks were only in the early stages of measuring and monitoring it.

Full texts of the Basle Committee papers available on the internet at www.bis.org

IRAN-AFGHANISTAN CONDEMNATION OF TALIBAN EASES PRESSURE ON TEHRAN

UN tries to defuse tension

By Mark Huband in Tehran

Widespread condemnation of Afghanistan's Taliban militia by United Nations member states appears to have eased domestic pressure on Iran's government to go to war, despite a continued military build-up and demands by hardliners for an armed response to the bitter diplomatic crisis.

Iran aims to have amassed up to 200,000 troops along its 750km border with Afghanistan by today. A week of military manoeuvres is planned to begin immediately in response to the murder by Taliban fighters of seven Iranian diplomats and an Iranian journalist in Afghanistan last month.

The Taliban said yesterday it had positioned US-made Stinger and Russian-made Luna missiles along the border. Mohammed Hassan, the Taliban spokesman, said the militia had deployed 8,000 troops in the area. "If we were attacked, we would not consider defence sufficient and we would pursue the enemy in its territory to the best of our abilities".

A meeting at the UN in New York on Monday of Afghanistan's six neighbours, along with the US and Russia, delivered many of the demands Iran had said were necessary to avoid a military confrontation.

The meeting called for the release of non-combatants and said the UN would investigate Iranian claims of Taliban atrocities. Shia Iran says the Sunni Taliban has targeted Afghan Shia Moslems.

Javid Zarif, Iranian deputy foreign minister, hinted on Monday that Iran was confident a diplomatic solution would be found.

This contrasted with Iranian statements last week, suggesting that its patience with the Taliban had been almost exhausted.

Moderates in Iran's government increasingly view the prospect of war as a serious threat to the country's tentative moves to domestic political moderation, and were hoping for a tough UN response with which to defuse popular demands for military strikes.

"If there's a war with Afghanistan, much that we have been moving towards will change. So, we should keep the hardliners away from the decision-making on how to proceed," said a senior government official.

The outcome of the crisis is seen by political analysts in Tehran as likely to have a profound effect on both the conduct of Iran's foreign policy and the relationship between the armed forces and the government.

Iran had backed the former Afghan government led by Burhanuddin Rabbani, though it has a diplomatic presence in three Taliban-held cities. "The issue has shown that we need to have a more unified approach to foreign policy," said an analyst in Tehran. "We can't have different departments dealing with these issues."

Some analysts have criticised Iran for failing to engage the Taliban diplomatically, in order to establish real influence on Afghan affairs and find a solution to the civil war.

WTO urged to act on trade corruption

By Stephen Fidler in Washington

An international pressure group released survey results yesterday suggesting a majority of countries are viewed as harbouring significant corruption, and called on the World Trade Organisation to begin action to tackle the problem in international trade.

The survey by Transparency International aims to measure subjective attitudes to corruption – defined as the abuse of public office for private gain – from the perspective of business people, risk analysts, journalists and the general public.

The five countries on the list of 85 perceived as having the greatest corruption problem were Nigeria, Tanzania, Honduras, Paraguay and Cameroon, which scored 1.4 out of a possible 10.

The best perceived country was Denmark, with a perfect 10 score, followed by Finland, Sweden, New Zealand, Iceland and Canada. Britain was ranked 11th equal with a score of 8.7 and the US 17th equal with a 7.5 score. Germany was 15th and France 21st.

Frank Vogl, vice-chairman of TI, said yesterday that any country with a score of 5.5 or lower was "clearly perceived to have a huge corruption problem.

"Included in this category were countries such as Belgium, with a score of 5.4, Greece with a score of 4.9 and Italy with a score of 4.6.

Russia is ranked 76th, with a score of 2.4, while Indonesia was 80th, scoring 2.0.

TI officials said they were developing approaches that would capture in a separate index the sources of the corruption.

They said they aimed to "shine a light on the countries that are the homes of bribe paying corporations". This was a reflection of the limitation of the survey published yesterday, which focuses on governments.

The group welcomed the completion of the Anti-Corruption convention, signed last December by members of the Organisation for Economic Co-operation and Development, which is aimed at criminalisation of bribery by exporters and deny tax deductibility for bribes paid abroad. It said it would monitor closely the implementation of the convention by governments.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

UNITED STATES	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1988	4.2	5.4	7.65	8.84	3.61
1989	1.0	4.2	8.99	8.50	3.43
1990	3.6	5.5	8.06	8.55	3.60
1991	8.0	3.7	5.87	7.86	3.21
1992	12.5	1.9	3.75	7.00	2.95
1993	11.6	1.1	3.22	5.86	2.78
1994	6.2	1.4	4.67	7.08	2.86
1995	-0.2	2.1	5.93	6.57	2.61
1996	-3.2	4.9	5.41	6.43	2.15
1997	-3.3	4.9	5.59	6.34	1.73
3rd qtr.1997	-3.2	5.1	5.55	6.24	1.64
4th qtr.1997	-1.2	5.7	5.63	5.90	1.60
1st qtr.1998	-0.1	6.5	5.47	5.60	1.51
2nd qtr.1998	1.1	7.2	5.50	5.59	1.42
September	-2.9	5.4	5.51	6.20	1.63
October	-1.8	5.6	5.55	6.02	1.60
November	-1.1	5.8	5.64	5.96	1.61
December	-0.6	5.8	5.71	5.80	1.56
January 1998	-0.7	6.0	5.47	5.54	1.59
February	-0.2	6.5	5.46	5.61	1.51
March	0.6	6.8	5.46	5.64	1.44
April	1.2	7.1	5.48	5.63	1.41
May	1.3	7.3	5.51	5.66	1.42
June	0.9	7.3	5.51	5.49	1.42
July	0.6	7.3	5.50	5.45	1.37
August	-0.2	7.1	5.50	5.33	1.48

JAPAN	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.16	0.48
1990	2.8	8.5	7.62	6.90	0.65
1991	5.2	2.0	7.21	6.40	0.75
1992	4.5	-0.4	3.78	5.24	1.00
1993	3.0	1.4	2.95	4.18	0.87
1994	5.4	2.9	2.23	4.20	0.78
1995	8.2	3.2	1.22	3.39	0.86
1996	13.7	3.1	0.58	3.03	0.75
1997	8.8	3.9	0.59	2.19	0.87
3rd qtr.1997	8.1	2.9	0.61	2.16	0.82
4th qtr.1997	8.6	3.8	0.66	1.75	0.96
1st qtr.1998	9.5	4.5	0.94	1.71	0.97
2nd qtr.1998	7.9	3.4	0.64	1.42	0.99
September	7.7	2.9	0.58	2.02	0.86
October	7.9	2.8	0.53	1.79	0.90
November	8.9	3.2	0.56	1.74	0.98
December	8.9	3.8	0.87	1.71	1.00
January 1998	9.7	4.5	0.95	1.74	1.00
February	10.3	5.0	1.04	1.76	0.95
March	8.6	4.5	0.84	1.62	0.96
April	8.1	3.6	0.71	1.62	0.98
May	8.0	3.9	0.62	1.37	0.99
June	7.4	3.4	0.60	1.28	1.01
July	8.1	3.5	0.74	1.42	0.95
August	8.0	3.9	0.75	1.47	1.02

GERMANY	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1988	9.7	6.4	4.34	6.46	2.61
1989	6.3	5.7	7.12	6.90	2.22
1990	4.5	4.5	8.49	8.66	2.11
1991	5.1	5.6	9.25	8.42	2.38
1992	7.0	8.1	9.52	7.80	2.45
1993	9.4	7.8	7.28	6.47	2.11
1994	9.6	9.0	5.36	6.86	1.77
1995	3.7	0.6	4.53	8.82	2.00
1996	10.4	7.5	3.31	6.21	1.81
1997	8.4	8.2	3.32	5.65	1.45
3rd qtr.1997	9.0	5.9	3.24	5.61	1.34
4th qtr.1997	5.5	4.7	3.68	5.48	1.42
1st qtr.1998	5.1	3.6	3.54	5.01	1.32
2nd qtr.1998	6.3	4.0	3.61	4.89	1.22
September	8.2	5.5	3.31	5.60	1.36
October	6.5	5.1	3.58	5.58	1.37
November	5.2	4.6	3.74	5.56	1.48
December	3.7	4.5	3.73	5.32	1.40
January 1998	4.4	3.5	3.57	5.12	1.38
February	5.3	3.4	3.51	4.99	1.31
March	5.5	4.0	3.52	4.90	1.28
April	7.2	4.0	3.63	4.90	1.24
May	5.5	3.7	3.63	4.98	1.23
June	6.1	4.3	3.56	4.80	1.19
July	5.0	4.2	3.54	4.69	1.14
August	5.9	4.0	3.50	4.42	1.22

FRANCE	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1988	3.9	8.2	7.94	9.08	3.69
1989	7.6	10.0	9.40	8.79	2.88
1990	3.8	9.3	10.32	9.92	3.19
1991	-4.7	2.3	9.62	9.03	3.58
1992	-0.3	5.4	10.36	8.57	3.55
1993	1.1	-3.0	8.55	6.75	3.21
1994	2.5	1.7	5.84	7.21	2.99
1995	7.2	4.3	6.60	7.53	3.17
1996	0.6	-3.5	3.94	6.32	3.05
1997	6.4	1.6	3.46	5.56	2.58
3rd qtr.1997	5.8	0.1	3.41	5.47	2.41
4th qtr.1997	6.4	1.7	3.65	5.49	2.48
1st qtr.1998	9.4	4.0	3.58	5.03	2.23
2nd qtr.1998	10.0	4.5	3.60	4.95	1.98
September	5.8	0.1	3.41	5.47	2.42
October	7.8	0.8	3.59	5.59	2.43
November	6.8	0.7	3.69	5.58	2.57
December	6.4	1.7	3.69	5.33	2.44
January 1998	9.4	3.4	3.62	5.13	2.36
February	11.8	4.5	3.57	5.01	2.23
March	9.4	4.1	3.57	4.94	2.09
April	10.7	4.7	3.63	4.95	2.04
May	10.6	4.6	3.61	5.02	1.98
June	9.8	4.5	3.57	4.88	1.93
July	8.5	4.5	3.56	4.79	1.94
August			3.56	4.54	2.18

ITALY	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1988	7.8	6.1	11.24	10.54	2.71
1989	7.2	5.5	12.42	11.61	2.46
1990	9.2	7.0	11.96	11.87	2.84
1991	7.3	5.9	11.83	13.20	3.45
1992	6.9	3.1	13.86	13.29	3.63
1993	4.7	2.8	10.22	11.23	2.35
1994	6.6	3.6	8.48	10.56	1.67
1995	0.4	-1.8	10.38	12.22	1.72
1996	1.0	-0.3	8.75	9.43	2.19
1997	8.8	9.5	6.83	6.83	1.91
3rd qtr.1997	9.9	11.3	6.79	6.52	1.79
4th qtr.1997	8.1	10.4	6.35	6.02	1.69
1st qtr.1998	8.9	9.0	5.89	5.36	1.33
2nd qtr.1998	13.4	10.2	5.11	5.16	1.23
September	9.0	11.5	6.63	6.36	1.72
October	9.1	11.2	6.62	6.21	1.66
November	7.6	10.2	6.44	6.14	1.74
December	7.7	9.7	6.01	5.74	1.68
January 1998	8.0	9.1	6.03	5.50	1.47
February	8.5	8.8	6.09	5.38	1.34
March	10.1	9.0	5.56	5.21	1.19
April	12.9	9.7	5.18	5.16	1.13
May	12.7	10.2	5.07	5.22	1.26
June	14.5	10.8	5.10	5.10	1.31
July	12.4	10.3	4.85	4.98	1.28
August			4.93	4.80	1.36

UNITED KINGDOM	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1988	6.8	17.1	10.41	9.62	4.48
1989	5.9	17.4	13.96	10.11	4.38
1990	5.3	15.9	14.82	11.56	5.07
1991	2.4	7.9	11.58	10.08	4.97
1992	2.4	5.1	9.74	9.09	4.81
1993	4.9	3.5	5.99	7.40	4.01
1994	6.4	5.1	5.57	8.01	3.94
1995	5.9	7.3	6.77	8.16	4.15
1996	6.7	10.0	6.11	7.79	4.08
1997	6.2	11.2	6.94	7.02	3.59
3rd qtr.1997	5.7	11.7	7.21	6.95	3.49
4th qtr.1997	6.6	11.1	7.58	6.46	3.37
1st qtr.1998	6.9	10.3	7.55	6.02	3.05
2nd qtr.1998	6.1	9.6	7.57	5.80	2.85
September	5.9	11.6	7.31	6.78	3.41
October	6.3	10.9	7.36	6.47	3.31
November	6.8	10.6	7.65	6.59	3.47
December	6.7	11.8	7.71	6.33	3.33
January 1998	6.9	10.7	7.57	6.08	3.24
February	7.1	10.4	7.53	6.02	3.02
March	6.6	8.8	7.57	5.96	2.89
April	6.7	10.4	7.51	5.80	2.82
May	6.3	9.4	7.48	5.84	2.84
June	5.4	9.1	7.72	5.77	2.90
July	5.8	10.0	7.80	5.84	2.87
August	6.2	8.8	7.74	5.54	3.10

Monetary growth rates show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

Nigerian leader hopes to meet IMF call for currency reform

By Michael Holman, Africa Editor, and William Wallis

Abdulsalami Abubakar, Nigeria's new military ruler, said yesterday that he hoped to end the country's dual exchange system by the end of the year, thus meeting one of the conditions for a new International Monetary Fund agreement and rescheduling of the country's estimated $35bn external debt.

Gen Abubakar was speaking at a London press conference after a meeting with Tony Blair, the British prime minister, who had made clear that Britain's support for debt relief was linked to economic reforms and implementation of an IMF programme.

A Downing Street spokesman described the hour-long meeting as " very positive and friendly".

"The prime minister was very impressed by President Abubakar's approach and his determination to carry on democratic and economic reform."

Gen Abubakar, who repeated his call for foreign investment and international support for the country's democratisation process, has moved rapidly to end Nigeria's pariah status, freeing political prisoners and pledging a return next May to civilian rule.

Nigeria's $35bn external debt includes $3bn owed to the UK Export Credits Guarantee Department.

Gern Abubakar travels on to New York to attend the United Nations General Assembly and then to France, where he will meet President Jacques Chirac.

The scale of the ECGD's exposure to Nigeria, for which it suspended insurance cover in 1983, is almost twice the £1.7bn in unrecovered claims published in the department's annual report and accounts. The ECGD said the total had been swollen by accumulated arrears.

This compares with the former Soviet Union's debt to ECGD of £630m, say officials at ECGD, a UK agency which insures long-term export contracts.

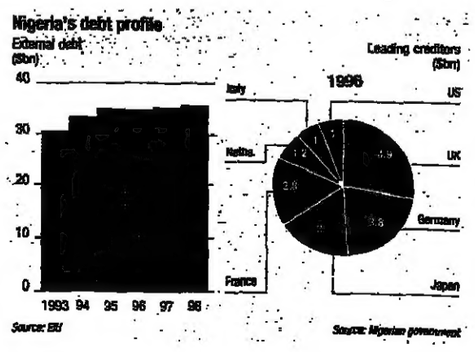
Britain is Nigeria's largest official international creditor. Nigeria's total external sovereign debt is estimated at up to $37bn, mostly in the form of export credits.

But the ECGD has maintained a tough stance, declaring a month ago that Nigeria was ineligible for a new scheme intended to insure so-called "good projects" in developing countries for which it would not normally provide cover.

The ECGD said it excluded Nigeria partly because of "underlying concern about whether projects of this kind could work in a country with as many difficulties as Nigeria."

IMF officials say that Nigeria faces its most serious economic crisis since independence in 1960.

The 1998 budget assumed a $17 per barrel price for oil, which accounts for 95 per cent of export earnings. In the first half of the year it averaged under $14 barrel, while the average for July and August fell to little over $12.



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Rules on bank capital ratios to be reviewed

'I don't think ... has been a ... urgent need ... leadership ... arena than ...

...opes to meet ...ency reform

On September 21st, we formed an alliance. Five airlines that share a few simple beliefs.

We believe that the customer should be at the heart of everything we do. And we believe that it should be easy for you to travel beyond the reach of our individual airline networks.

That's why we created **one**world.™

oneworld revolves around you.

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Together we'll start to make that vision a reality. By working together for you, we can share our individual learning and expertise to offer greater value and provide you with the very best in global travel.

Over the next few months, we'll be training and talking with our people, all 220,000 of them, so they can be of assistance to passengers from all the alliance airlines both on the ground and in the air. We'll also be providing our passengers with worldwide access to more airport lounges, as well as smoother transfers across the global networks of the five airlines.

And if you're a loyal and frequent customer, you'll soon be receiving wider recognition and opportunities for more rewards.

All of this means that you'll feel at home in the world no matter which airline you fly. Because **one**world isn't just about bringing five of the world's best airlines together. It's also about bringing the world closer to you.

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SOFT DOLLAR TRANSACTIONS SEC REPORT REVEALS THAT 'VIRTUALLY ALL ADVISERS CHARGING HIDDEN COMMISSIONS ARE BREAKING SECURITY LAWS'

Over third of brokers 'share in secret deals'

By Richard Wolffe in Washington

More than a quarter of US financial advisers collude with brokers to charge their clients a series of hidden commissions paying for non-investment items such as office furniture, travel costs and even theatre tickets.

The Securities and Exchange Commission, in a long-awaited report published yesterday, said more than a third of brokers participate in the secret commissions for products and services which provide no direct benefit to clients.

While the SEC said the use of so-called soft dollars was not illegal, it said that "virtually all" the advisers charging the commissions were breaking securities laws in failing to reveal the charges to their clients.

Lori Richards, director of the SEC's compliance office, said: "The message from this report should be unmistakable: that advisers have an obligation to disclose adequately and fully so their clients can understand the nature of their soft dollar transactions."

The SEC found that advisers using soft dollars were charging their clients average commissions of six cents a share, compared with the cheapest rates of just three cents. Advisers are able to charge their clients the commissions by bundling together broking services, including research and the execution of deals.

The SEC reported that advisers and brokers were using a wide definition of "research" costs, including advisers' own computers, internet access, high-speed phone lines and cabling. Others used soft dollars to pay for goods and services blatantly unrelated to research, including interior design and hotel bills.

The report called for the publication of new guidance about electronic-based research, which hardly existed when the SEC abolished fixed commission rates, and defined the use of soft dollars, in 1975.

Instead of disclosing the use of soft dollars, advisers were discovered to be using "boilerplate language" which failed to outline in sufficient detail what the clients were paying for. In many cases, the SEC found the staff writing the disclosure forms were themselves ignorant of the full use of soft dollars.

The SEC insisted 98 per cent of soft dollars were used for research to help advisers make investment decisions. The total value of such soft-dollar research is estimated at over $1bn a year. The report focused on 75 brokers and 280 investment advisers covering $240m in soft dollars from November 1996 to April 1997, but did not cover mutual fund managers.

In their recommendations, the SEC investigators called for immediate improvements in record-keeping and disclosures. Many brokers and advisers failed to keep proper records about soft dollars, and could not separate mixed-use items partly used for research.

SEC staff stopped short of recommending a change in securities laws governing soft dollars, unless the industry fails to improve its standards of complying with the current laws.

CLINTON VIDEO JOB APPROVAL RATING REBOUNDS ■ REPUBLICANS PONDER NEXT MOVE

Presidential soap opera washes well with public

By Nancy Dunne in Washington

For the first time in days, the telephones went silent in the office of Congressman Scotty Baesler, a Kentucky Democrat.

Callers who had been furious with President Bill Clinton after the release of the Starr report were busy watching the next chapter in the national soap opera: the televised cross-examination of Mr Clinton by his nemesis, the independent counsel and his assistants.

Yesterday the calls to Mr Baesler's Washington office were "few and far between". In his district office in Kentucky the calls were "not as heated", said John Townsend, the congressman's spokesman. "It is possible that the anger [against the president] has dissipated."

Around Capitol Hill yesterday, Democrats were reporting a turn in popular sentiment towards the president. "What the Republicans forgot when they released that tape is that the president's poll numbers always jump up when he goes on television," said one Democratic aide. Pollsters yesterday reported that although most viewers thought the president had committed perjury, most wanted him to stay on in the White House anyway, and his job approval rating rebounded.

Democrat support for the president is key to his chances of surviving impeachment.

It was the Republicans on the House judiciary committee that campaigned for the release of the president's videotaped and supposedly secret grand jury testimony and this is starting to unite Democrats in anger – something the White House has failed to do.

A spokesman for Congressman James Barcia, a Michigan Democrat, said the calls had turned pro-Clinton. "Callers now are angry about the release of the taped video and the way the Republicans have been trickling out all Ken Starr's stuff," the aide said.

Republicans forgot his poll numbers always jump up when he goes on TV

The reaction of Lynn Woolsey, a California Democrat from a liberal district, was typical.

The president's behaviour was "wrong", the allegations against him were "serious", but the release of the tapes "appears to have been more about political gain than a search for the truth because we learned nothing new from them".

In the office of Sidney Yates, an Illinois Democrat, the number of e-mails has soared, and those which were pro-president have picked up.

In the office of Thomas Allen, a Maine Democrat, the reaction was lower key than after the release of the Starr report, and more favourable to the president.

Even Newt Gingrich, House speaker, began to sense that the tapes would not damage the president seriously. As they were running Monday morning, he mused that their release "may" have been a mistake.

Republicans' offices have also been receiving fewer calls. In the office of Congressman Christopher Cox, 82 per cent of the calls last week were in favour of impeachment. Yesterday, there were few calls to the Washington office, and out in his conservative district in California, 13 callers had pushed for impeachment and five said Congress should "move on".

Where the president failed to gain ground was in the leaders of the most prominent newspapers, which have been demanding either a formal impeachment inquiry or resignation.

USA Today, which has called for Mr Clinton to step down, said the public had seen its clearest view yet of the president under pressure. "On one level, Clinton was cool and reasoned in circumstances that few would want to endure... but even more evident in four hours of testimony was Clinton the hairsplitter – the person for whom less that half the truth is often more than enough."

The New York Times called for "a negotiated settlement involving censure by Congress, provided that Mr Clinton abandons, publicly and without qualification, the central contention of his four-hour marathon in legal evasion".

The Times said that the broadcast of the tapes was "a hostile partisan act," which in the end had served a healthy civic purpose. "The Clinton presidency has become such a mess that the public needs to review as much of the evidence as possible in order to respond intelligently to Congressional demands for resignation or impeachment."

The Washington Post said that the president "pretty plainly lied under oath" before the grand jury.

"The self-indulgence that has been the abiding characteristic of this president's entire career has taken us to a place where we have no instantly clear good choice. That is the ultimate price he exacts; he drags down the national standards by entwining them in his own."

Clinton's videotape testimony dominated European headlines. The selection of Italian titles (above) gives a taste of the reactions, ranging from Il Giorno's 'How to kill a president' to Corriere Della Sera's 'Clinton humiliated on TV, but does not sink'. In the UK, the range of opinion was equally striking AP

Europeans unsettled by 'humiliating' spectacle

By Our International Staff

The Germans appeared more interested in it than in their imminent and very important general election. The French were outraged by the "sexual McCarthyism" of it. The Russians made lewd remarks about the "vigour" that contrasted with the frailty of their president. And the British, as always, tried to have it both ways.

"Clinton tortured, humiliated," read the headline in Bild, Germany's biggest selling daily, in its report on the televised testimony of President Bill Clinton about his relationship with former White House intern Monica Lewinsky.

The Hamburger Morgenpost reacted to the broadcast by publishing two empty pages in its politics section with the caption "Clinton's porno testimony – we have had enough". In a commentary, the paper explained it had decided not to take part "in this height of mud-slinging".

However, the conservative Frankfurter Allgemeine Zeitung, Germany's most influential newspaper, said Mr Clinton had proven in a shameless way that he was unworthy of his office.

Politicians from all parties condemned the broadcast and attacked German television channels for showing extracts. Chancellor Helmut Kohl told journalists that the affair made him "want to puke".

Oskar Lafontaine, chairman of the opposition Social Democrats, said the broadcast was "disgusting and revolting" and presented an infringement on the president's "elementary rights".

Antje Vollmer, member of the Green party and vice president of parliament, called on Germans to demonstrate in front of the US embassy to protest against the "violation of human rights of the president and his family".

A phone-in poll of 20,000 viewers conducted by the RTL television channel showed 87.4 per cent were opposed to Mr Clinton resigning.

In Paris the tone had been set over recent weeks by senior officials and commentators who branded the Starr investigation as a "new form of McCarthyism".

Lionel Jospin, the prime minister, called for the need for everyone to observe a "sense of self-respect on the other side of the Atlantic".

While Le Monde had chosen to publish the findings of the Starr report in full – and received considerable reader abuse for so doing – the newspaper yesterday opted for a selective analysis of the tapes.

The main TV channels dismissed as distasteful voyeurism the showing of anything but heavily edited small extracts. They poured scorn on US networks which had bowed to competitive pressure to run the tapes in full.

The newspaper Libération went furthest in its condemnation of Congress with a front-page montage of Mr Clinton on video and a headline "Until Nausea". The paper added that the video had revealed nothing new except confirm the Republicans' determination to topple the president.

In similar vein the right-wing Le Figaro attacked the political motivation of the release of the video and the cavalier disregard for the serious problems in the world outside that required American leadership.

The paper added: "In demanding future presidents to have a past as pure as choirboys, the choice of candidates for the White House has been seriously restricted."

An opinion poll published yesterday revealed that 87 per cent of French people were against Mr Clinton resigning.

In Britain, the country's loud tabloid newspapers, which have provided exhaustive coverage of the affair, devoted up to a quarter of their pages to the tapes. But even those most critical of the president admitted to some concern over the nature of his ordeal by video.

The Sun, the top-selling British paper, offered 13 pages on what it described as the "greatest humiliation in American history". But the paper, which has been predicting Mr Clinton's demise since January, conceded it was unclear what the impact would be. In its editorial column, the paper said: "It scares us that the American people seem prepared to let him get away with it."

The Mirror said that if Mr Clinton resigned he would have been forced out by "disgraceful and undemocratic tactics". However, the paper concluded that the world "cannot go on being led by a man who has been so humbled and humiliated".

A number of newspapers urged Tony Blair, the British prime minister, to put a bit more distance between himself and Mr Clinton. But the prime minister's office continued to insist that the president was "a good friend and ally" of Britain and would continue to get the prime minister's support.

In Moscow, Natasha Gorelova, a 27-year-old travel agent, said: "Do they not have anything better to do than make all this fuss about the president's affairs? I wish we had their problems. Our president drinks and forgets the names of the countries he goes to visit, but we still say nothing."

A police guard outside the US embassy in Moscow said: "If Yeltsin had slept with a woman he would get elected for a third term."

Reports by Robert Graham in Paris, Tobias Buck in Bonn, David Wighton in London and Arkady Ostrovsky in Moscow

A protester at last year's Apec summit hides behind a bamboo partition to represent the plight of the oppressed AP

APEC DEMONSTRATIONS CANADIAN PM ACCUSED OF DIRECTING POLICE TO HIDE SUHARTO PROTESTERS

Chrétien under fire over crackdown

By Edward Alden in Toronto

Jean Chrétien, the Canadian prime minister, is under fire in the House of Commons over allegations about his role in the crackdown against protesters at last year's summit of the Asia-Pacific Economic Co-operation forum in Vancouver.

Since parliament reconvened on Monday, Mr Chrétien has faced a barrage of questions from opposition politicians over documents that appear to show the prime minister's office directed police to keep demonstrators out of sight in order to spare Suharto, Indonesia's former president, from public embarrassment.

Dozens of students were beaten, laced with eye-stinging pepper spray and hauled off to jail on the final day of the November summit meeting when they tried to breach a fence that kept them from being seen or heard by the 18 leaders meeting nearby.

Documents made public recently show the Canadian government feared Mr Suharto would refuse to attend the summit because of expected protests by human rights activists.

Indonesia had warned Canada that he would stay at home unless the president, who had been confronted by protesters during a visit to Germany in 1995, was shielded from the demonstrators expected to attend the event.

'Prime minister trampled on the political rights of Canadian citizens in order to protect some Asian dictator'

In response, the documents indicate that Mr Chrétien personally assured Indonesia's ambassador to Canada, Benjamin Parwoto, that Mr Suharto would not be embarrassed and would not see any large demonstrations.

Further details on the orders from Mr Chrétien's office are likely to emerge as part of a public inquiry into the police actions scheduled to start next week. Opposition parties are clamouring for a full judicial inquiry.

What is already clear, however, is that police believed their task at Apec was to keep any demonstrators well out of sight of the leaders.

In one incident, Craig Jones, a law student, was arrested, handcuffed and jailed for 14 hours because he refused to take down three signs along the leaders' motorcade route that said "free speech, democracy and human rights".

Police told him the signs were illegal because they were outside the "designated protest area". The signs were removed before the motorcade arrived.

Mr Jones is suing the police for breach of his constitutional rights, a case scheduled for trial next year. Joseph Arvay, a lawyer for Mr Jones, charges that the prime minister's office "directed the RCMP not for security reasons but for political reasons".

The police themselves were not entirely comfortable with the task. In one e-mail discussing ways of keeping protest banners from being seen by the leaders, a top police official says that "the banners are not a security issue. They are a political issue... If they are not going to be permitted, what is the authority for removing them and who is going to do it?"

In tough questioning in the House on Monday, Preston Manning, opposition leader, charged that the prime minister "trample[d] on the political rights of Canadian citizens in order to protect some Asian dictator".

Mr Chrétien deflected most of the questions, saying they should be dealt with by the public inquiry.

The inquiry is also expected to raise questions over why Canada allowed Mr Suharto's personal bodyguards to carry concealed guns during the summit, a sharp reversal of Canada's previous refusal to allow most foreign security guards to carry weapons in Canada.

In one of the meetings with Canadian police, Indonesian officials asked what would happen if one of the bodyguards "pulled his gun and shot someone during the visit".

"They were told... such a situation would not be tolerated, and to keep their guns out of sight," the police memo says.

Foreign cash inflows 'strong'

By Richard Lapper, Latin America Editor

Latin America is continuing to attract strong flows of foreign direct investment in spite of instability on international financial markets, according to a report to be published this week.

The region absorbed more than $40bn in foreign direct investment (FDI) in 1997 and similar levels of flows have continued this year.

"Long-term capital is still flowing," said Jaime Crispi of the Institute for European-Latin American Relations (Irela), which jointly published the study with the Inter-American Development Bank.

"A short-term cyclical downturn in growth will not have a major impact, although it could lead to projects being postponed and delayed," said Peter West, chief economist at BBV Securities and one of the authors of the report.

Last year's total investment amounted to 45 per cent of overall capital flows, compared with 20 per cent in 1980 and 38 per cent in 1990, according to the study. Between 1995 and 1997, total inflows of FDI covered just under 90 per cent of the region's current account deficit.

The study highlights a revival in British investment in Latin America during the 1990s. The removal of barriers preventing investment in the financial and energy sectors had been a particularly important factor, since UK companies had competitive advantages in these areas, said Mr West.

Latin America's share of total UK foreign direct investment has risen from 2.4 per cent of the total at the end of the 1980s to 3.7 per cent in the period between 1991 and 1996. In 1996, however, Latin American attracted 7 per cent of all British FDI.

Spanish banks and utility companies have been among the most active investors in Latin America in recent months but – at least until the end of 1996 – British companies were the most active European investors.

In 1996 UK companies invested $2.4bn, compared with $2.3bn by French companies and $2.16bn by Spanish companies.

Caracas to cut budget again

By Christine Hoag in Caracas

The Venezuelan government is to cut $1.37bn from its budget for the rest of the year in a third effort to close a fiscal deficit caused largely by low oil prices.

Maritza Izaguirre, finance minister, said late on Monday that tax revenues were $515m lower than expected for the year because of the economic slowdown, while the oil price fall had reduced income by $852m.

Venezuela has already slashed $4bn from its budget this year.

The new round of cuts will be effective for the last quarter, as well as early next year as this year's budget will be rolled over into 1999. Congress failed to adopt a new spending plan before it adjourned this month.

Mrs Izaguirre said meetings would be held this week to determine exactly where the cuts would be made. However, education would suffer a $245m cut, while culture would be pruned by $13m.

Subsidies to various institutions would be cut by $2.5m.

"We are looking into how much we can cut, but the fall in income from oil is important because the reality is that we have sold oil for less than $11 a barrel for a good part of the year and to arrive at $11.50 per barrel [the price on which the government has based its income projections], we're hoping for a rise in crude prices for the rest of the year," she said.

Venezuela relies on oil for about 60 per cent of its spending.

Mrs Izaguirre said that if international capital market conditions improved, the government could issue a $100m-$150m public debt bond by the end of the year.

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BANANA DISPUTE

US and EU clash at WTO meeting

By Frances Williams in Geneva

The US and European Union yesterday exchanged recriminations after failing to agree procedures for resolving their dispute over the EU's banana import regime.

EU officials accused Washington of "legal harassment." US officials, at a meeting of the World Trade Organisation's dispute settlement body, criticised the EU's "delaying tactics" in refusing the early reconvening of a WTO panel to examine EU plans for changing the regime.

The WTO has given Brussels until the beginning of next year to bring its import system for bananas into line with international trade rules. The world trade body ruled last year that the present system, which favours bananas from African, Caribbean and Pacific (ACP) countries, unfairly discriminated against producers and distributors of Latin American bananas.

EU ministers approved changes to the system in June but the US and the five Latin American countries that brought the original WTO complaint say the new regime is just as discriminatory as the old one.

WTO procedures for handling disputes over compliance with WTO rulings have never been tested and are sufficiently vague to leave plenty of room for differing interpretations.

Washington argues that they permit the original panel to rule beforehand on whether the proposed changes are WTO-consistent. If they are not, the US and its co-complainants would be entitled after January 1 to seek compensation or authorised retaliation for lost trade.

Brussels, which maintains that the revised regime is fully in compliance with WTO rules, originally said any panel request could not be made until January. It has now relented but continues to insist that the normal dispute procedures be followed, including a lengthy consultation period before a panel can be established.

US and EU officials met before yesterday's meeting, which was delayed for several hours, to try to hammer out a compromise but without success. The issue will come up again at the next dispute settlement body meeting on October 21.

● The dispute settlement body yesterday set up a panel to rule on an EU complaint against US tax breaks for so-called Foreign Sales Corporations which Brussels claims constitute illegal export subsidies.

However, the US blocked a first request by the EU and Japan for a panel to investigate sanctions imposed by the US state of Massachusetts on companies doing business with Burma. Under WTO rules, a panel will have to be established if requested again at the next meeting of the dispute settlement body.

The US also threatened to return to the WTO over Canada's apparent intention to introduce legislation that will discriminate against imported magazines, at the same time as discontinuing measures ruled illegal by the WTO last year.

China cuts off foreign telecom investors' hopes

James Kynge explains the likely impact of Beijing's proposal to restrict entry to a potentially enormous market

Telecoms companies are pressing China to reconsider plans to curtail foreign investment in the world's fastest growing telecoms services market.

The proposal threatens about $1.4bn invested by foreign companies in about 23 GSM mobile telephone projects, according to US Commerce Department figures. But in the wider analysis, it also throws into jeopardy the China expansion plans of many large telecoms companies which have spent years positioning themselves to profit from China's enormous potential.

The plan is contained in a draft decree and has been conveyed verbally by senior Chinese officials to telecoms executives and foreign embassy staff. It relates to the so-called "Chinese-Chinese-foreign" (CCF) investment format, by which foreign companies have circumvented a prohibition on direct equity participation in telecoms operations.

The practice allows foreigners to derive revenue from telecoms services without equity participation by means of a mix of management contracts, equipment leasing, consulting and licence royalties.

Executives from several large European and US telecoms companies said that embassies in Beijing have promised to raise their grievances with the Chinese government. David Aaron, the US under secretary of commerce, who is in China on an official visit, was expected to raise the issue with senior Chinese officials.

"This is a very serious issue. If they shut down this type of legitimate foreign investment, then alarm bells will start ringing throughout the investment community," said one foreign diplomat.

The penetration rate in this country of 1.3bn people was 7.4 per cent last year, with 24 per cent in cities. The target is for 10 per cent nationwide by 2000, with 30-40 per cent in cities. The total number of cellular subscribers rose beyond 12m by the end of 1997 and is expected to reach 35m by 2000, analysts said.

Most such CCF deals were made in the field of mobile telephony with China Unicom, the second Chinese carrier after China Telecom, the dominant player which still has a virtual monopoly in fixed line services.

Although the CCF deals were executed within a recognised legal vacuum, they have nevertheless won open endorsement from several top officials and were backed by contracts, many of which envisaged long-term co-operation.

The foreign companies which have entered such investments include Deutsche Telekom, France Telecom, Sprint, NTT International, Sumitomo Bank and Bell Canada.

France Telecom's GSM projects in two cities in the booming southern province of Guangdong illustrate that foreign companies stand to lose more in future prospects than in current revenues. The company has spent only $60m of a planned $350m investment that was designed to reap its greatest returns toward the end of the projects' life.

But even with building international pressure, it may not be easy to convince China to drop the proposal. Diplomats and telecoms executives said that Zhu Rongji, the premier, supports the plan, which was the main recommendation of a commission comprising five top government bodies that has been in deliberations since the spring.

A more fruitful focus of discussion, said telecoms executives, could be how China should compensate companies engaged in CCF deals. One method being proposed is that Unicom or other Chinese companies buy out the foreign interests. This, however, raises the delicate issue of whether foreigners should be compensated for lost opportunity as well as for the amount invested.

Another suggestion is that all foreign interests are grouped together into a general fund, which still supplies Unicom with capital and continues to reap a percentage of the company's revenues.

Foreign companies and governments are also expected to ask China to spell out a clear programme for market access – probably linked to Beijing's intention to join the World Trade Organisation – so that confusions may be avoided in future.

Under its current WTO offer, Beijing has pledged to open paging services on joining, and mobile telephony and "value-added" telecoms services such as data transmission within five years. Foreign operators would be limited to a 30 per cent stake for value-added services and a 25 per cent stake for paging or mobile services, Chinese officials have said.

Aside from the considerations of foreigners, the proposal may deal a critical blow to Unicom, and damage the cause of greater competition for China Telecom. Unicom derived 72 per cent of its financing through such CCF deals, industry analysts said.

The government commission does, however, make provisions for Unicom's survival. It recommends that domestic banks extend the company bank loans, and suggests that it be allowed to issue bonds and eventually seek a stock market listing, officials said.

But industry analysts said a separation of Unicom from the foreign know-how and technology that have been its strengths would almost certainly render the company frail in its competition for China Telecom, according to industry analysts.

Makers of new-style video to step up output

By Alice Rawsthorn in London

Matsushita, the Japanese consumer electronics group, and Philips of the Netherlands both intend to step up production of DVD-Video systems, the compact disc version of the video cassette, by opening new manufacturing plants.

The two companies, like their competitors, currently manufacture DVD-Video hardware at plants near their corporate headquarters. Matsushita makes its players in Japan, and Philips in Belgium.

Consumer demand for DVD-Video hardware and software – which went on sale in Japan in 1996, North America the following year, and in Europe early this year – is now rising rapidly. Matsushita recently started assembling players in China, and plans to start full-scale production there next year. Philips is considering proposals to do so in Singapore.

Both the electronics and entertainment industries have invested heavily in DVD-Video, hoping it will become a mass-market product to replace the video cassette, just as audio-CDs took over from vinyl and cassette tapes in the 1980s.

The early development of DVD-Video systems was clouded by rows over technology and software standards. Initial sales fell below expectations in both Japan and North America. However, sales have increased sharply this year, as the price of players has fallen (to less than $400 in the US) and the Hollywood movie studios have made more films available on the new discs.

Matsushita estimates that sales of DVD-Video players have risen from 1m last year to 3m this year. It expects that sales will reach more than 5m in 1999 and that by 2002 one out of every 10 US and Japanese homes will own at least one DVD-Video system.

The decision by Matsushita and Philips to start volume production of DVD-Video reflects their confidence in its commercial potential.

Electronics manufacturers typically start manufacturing new products at controlled plants to enable them to tackle any technical problems which may arise. Using such plants also keeps costs down until the company is convinced there is sufficient consumer demand to justify the expense of starting volume production.

Some new products never succeed in going into volume production, notably digital compact cassette (DCC), the miniaturised audio cassettes developed jointly by Matsushita and Philips. DCC remained in controlled production after its launch in the early 1990s, but demand was so low that Matsushita stopped manufacturing it last year.

Iberia set to join Oneworld airline alliance

By Tom Burns in Madrid

Iberia of Spain is likely to be one of the first non-aligned carriers to join Oneworld, the new five-airline global alliance led by British Airways and American Airlines. The co-opting of Iberia is expected to follow final agreement over the acquisition of 10 per cent stakes in the state-owned airline by BA and the US airline.

Pedro Ferreras, chairman of Sepi, the government holding company which owns Iberia, said yesterday that "only minor problems" over the equity purchases remained and that he believed these would be solved "in a matter of days".

He said there had already been agreements with the two carriers over pricing Iberia's equity and on code-sharing arrangements, the system that allows airlines to sell seats on each other's flights, with BA. Iberia already co-ordinates frequent flyer programmes, one of key features of the Oneworld alliance, and code share services with American.

The equity sale will be the first stage in Iberia's privatisation and will make BA and American reference shareholders in the Spanish carrier. Sepi aims to complete the disposal in the first half of next year with a public share offer of more than 50 per cent of the airline's equity.

Iberia, which has been negotiating its links with BA and American since July last year, would bolster the European and Latin American dimension of Oneworld, which groups Cathay Pacific of Hong Kong, Canadian Airlines and Qantas of Australia with BA and American.

The Spanish carrier's co-opting by Oneworld is understood to be of specific importance to American, which shares with Iberia extensive interests in Latin America as well as equity stakes in Aerolineas Argentinas.

The prospect of enlarging the Oneworld alliance came as Iberia announced the order of 11 Airbus A340 aircraft, worth $1bn, to renew its long-haul fleet. Xabier de Irala, Iberia's chairman, said the order depended on signing a new wage and productivity agreement with Iberia's 1,200 pilots.

"Iberia doesn't need the new aircraft if it cannot operate them competitively," Mr de Irala said. Iberia's pilots have threatened a strike unless they get a 19 per cent pay rise by December 15. They have blocked the carrier's attempts to hire 150 pilots on lower salaries. Iberia placed a $2.5bn order with Airbus in February for 76 short- and medium-haul aircraft.

Mr de Irala said he had chosen the A340, in preference to Boeing's 777, in order to cut maintenance and pilot training costs by concentrating on a single supplier.

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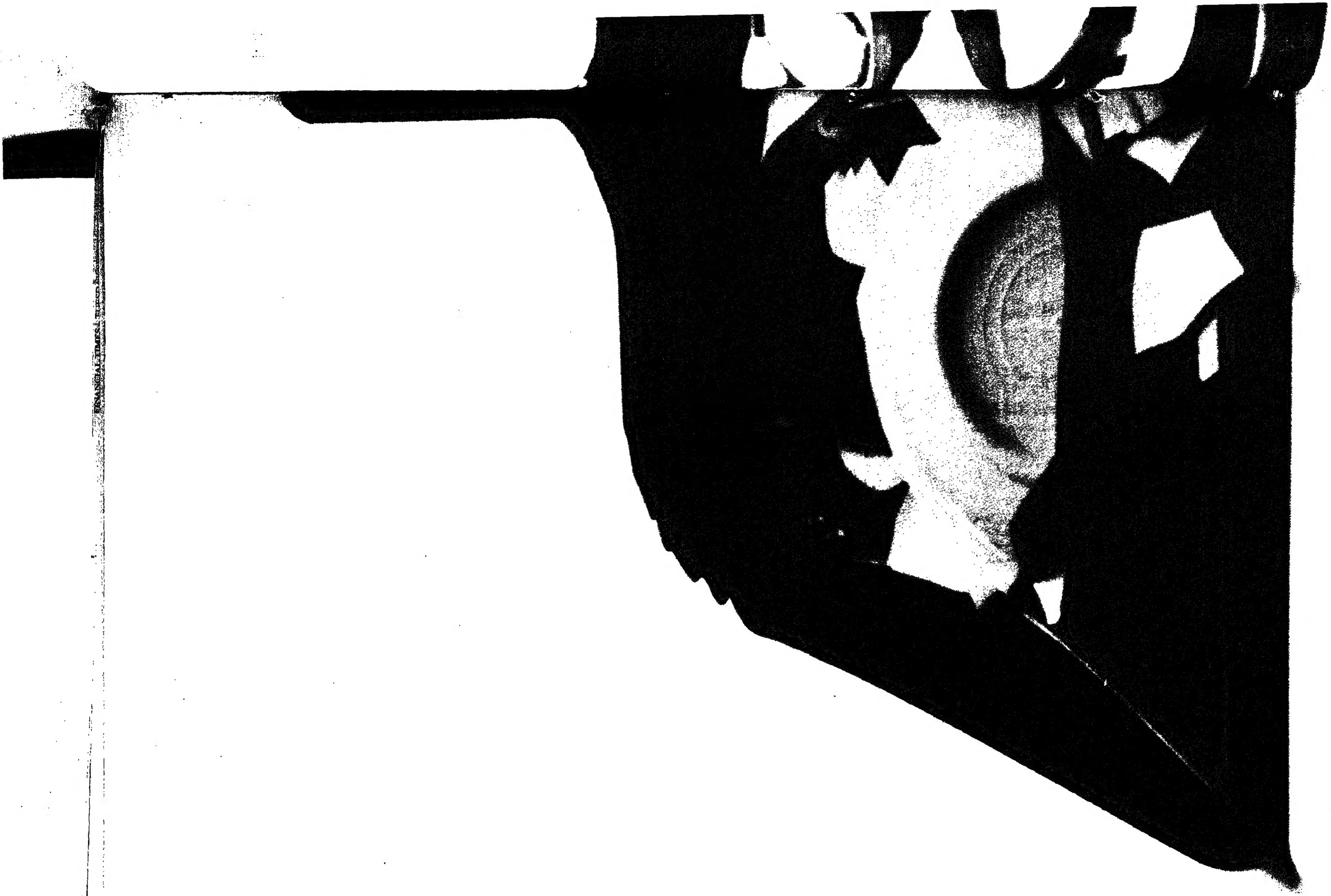

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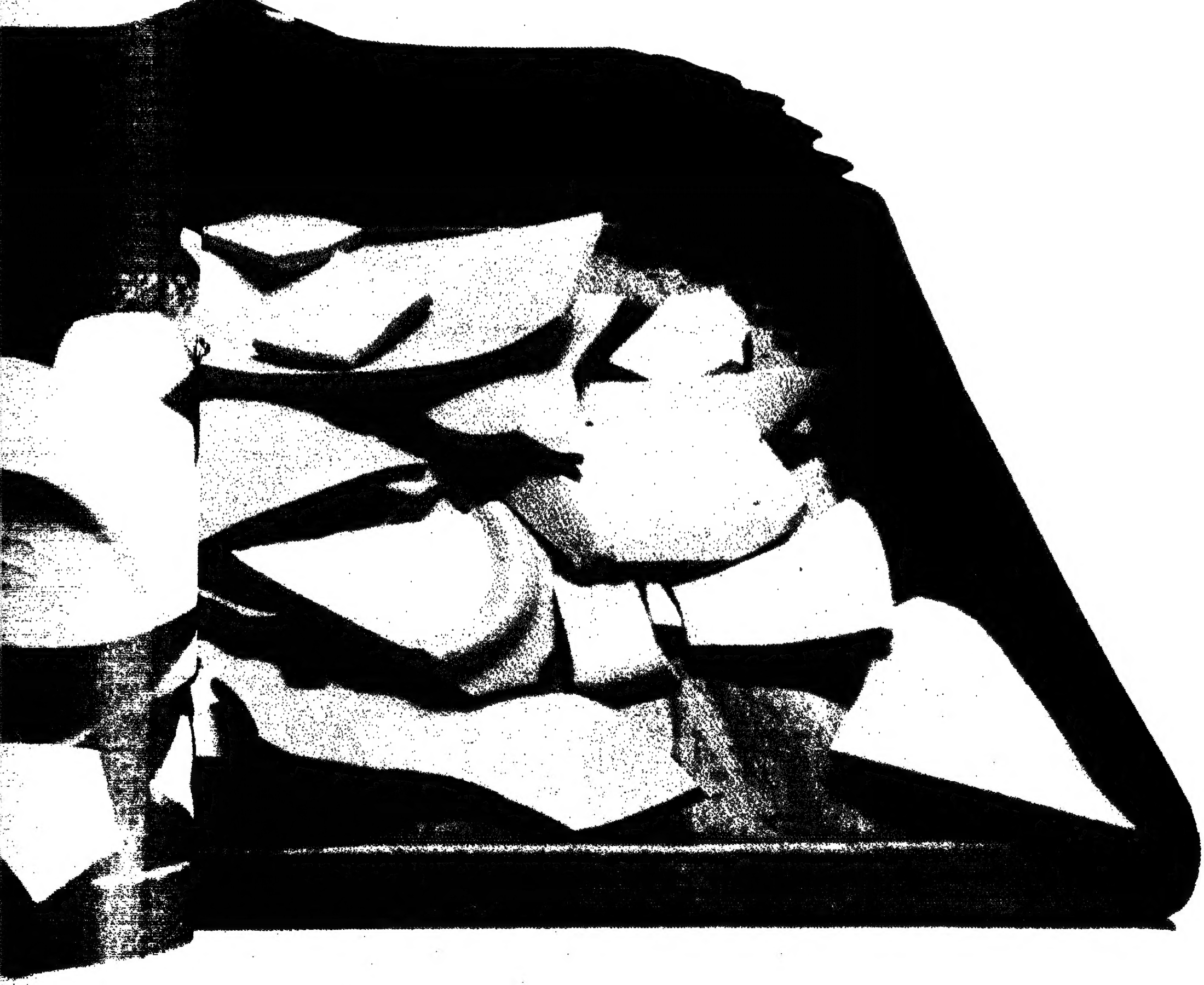
"If it isn't broken, don't fix it." But what if you don't know that it's broken?



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It's time for clarity.

FATE OF LTCB LDP CLARIFIES STANCE OVER USE OF PUBLIC FUNDS IN ATTEMPT TO STOP POLITICAL ACCORD FROM UNRAVELLING

Parties try to patch up Japan bank deal

By Michiyo Nakamoto in Tokyo

Japan's government and opposition parties yesterday scrambled to rescue their agreement on banking sector reform, as confusion over the deal spurred fears of further market turmoil and pressure on the banking sector.

The opposition parties agreed to start writing the agreement into legislation after the ruling Liberal Democratic party clarified that public funds would not be injected into the troubled Long Term Credit Bank (LTCB) of Japan but that the bank would be put under public administration.

The LDP's clarification, which comes after days of confusion over whether or not there was a deal, paves the way for revision and implementation of the banking reform bills which are considered crucial in restoring confidence in Japan's ailing financial sector.

"The issue concerning LTCB will be addressed within the framework" agreed last Friday, said Yoshihiro Mori, LDP secretary-general.

Friday's deal had appeared to unravel after LDP leaders indicated their intention to inject public funds into LTCB in spite of the agreement that LTCB would be nationalised.

Keizo Obuchi, Japan's prime minister, who was to present the banking reform plan to US President Bill Clinton in New York yesterday, added to the confusion by claiming that LTCB would not be allowed to fail but would be provided with public funds.

Mr Obuchi also emphasised the need for public funds to be made available to weak banks, although he confirmed that a Y13,000bn ($97bn) fund already set up for that purpose would be abolished, as agreed with the opposition.

"I think a scheme of capital injection is necessary. We'll hammer out a financial stabilisation scheme to replace the Y13,000bn pool under the current law because it will be abolished," Mr Obuchi said in New York.

The opposition had refused to co-operate in revising the banking reform bills without an unequivocal statement from the LDP on the issue of what to do with LTCB. The LDP, which does not have a majority in the upper house of parliament, needs opposition co-operation to pass the legislation through the Diet.

The attempts yesterday to patch over their differences came as concerns over the fate of the LTCB and other weak banks put pressure on the yen, which fell against the US dollar. The Nikkei average, however, rose 1.4 per cent to 13,789.81.

UBS to cut links with LTCB, Pages 19 and 20

Car manufacturers reveal collapse in demand

By Alexandra Harney in Tokyo

Japan's big five carmakers yesterday revealed that a collapse in domestic demand combined with a downturn in overseas markets had cut sales and output in August.

Moody's, the credit rating agency, recently downgraded its debt ratings on nearly all of the big five because of tough conditions in Japan and Asia.

Japanese big five automotive production and sales
August 1998

Company	Domestic production	% change	Domestic sales	% change	Exports	% change
Toyota	186,322	-7.3	86,590	-10.7	88,952	-25
Nissan	96,041	-9.2	45,595	-6	49,027	-7.7
Honda	77,416	-10.8	39,102	-13.1	36,662	-35.8
Mitsubishi	75,698	1.8	33,037	-7.6	46,871	5.5
Mazda	56,552	0.8	21,539	8	40,053	3.4
Total	435,477		204,324		221,532	

Source: Companies

Analysts said the figures – compared with the same month last year – were in line with expectations. Japan's carmakers have struggled to respond to the drop in overall consumer demand – particularly for large items such as cars – by slashing production, increasing exports, and lengthening worker holidays to reduce inventories. But yesterday's data indicated that this strategy was losing its effectiveness for some carmakers. The fall in domestic sales was overshadowed by a big contraction in exports, notably for Honda and Toyota, which are considered among the most stable car companies. Honda, Toyota, and Mitsubishi suffered the greatest declines in domestic turnover, although Mitsubishi was able to increase export volumes.

Honda was the worst hit. Its sales in Japan were down 13.1 per cent and as much as 35.6 per cent overseas, compared with August last year. Toyota sales fell 10.7 per cent at home and 25 per cent overseas.

Mitsubishi and Mazda capitalised on the popularity of newly launched models and a surge in exports to the Middle East. Mazda's domestic sales were up 8 per cent in August, while exports grew 3.4 per cent. But the group's sales in Japan since January have fallen 8 per cent, despite production cuts of 3.6 per cent.

At Mitsubishi exports increased 5.6 per cent to 46,871 units in August but domestic sales fell 7.6 per cent.

Analysts said the deterioration in Japan's economy and the possibility of weaker US demand could further exacerbate the industry's problems. Carmakers already have two to three months of inventory, which is double the normal levels, according to Goldman Sachs. Dealer inventories are also believed to be significant.

Further production cuts would damage profitability unless the big five lowered their high labour costs, analysts said. Domestic output is expected to fall about 6 per cent year-on-year to 10m units in the year ending in March. "What happens if everything does hit the fan in the US is that we're looking at a bankruptcy here," said one analyst.

Taiwan may retain some capital curbs

By James Harding and Laura Tyson in Taipei

Taiwan is reconsidering plans for full liberalisation of international capital flows by the end of 2000 in the light of Asia's financial crisis, according to a senior official at the central bank.

The Taipei government's renewed caution is further evidence of how exchange controls are regaining credibility in Asia after more than a year of financial turbulence has punctured regional economies.

Shea Jia-dong, deputy governor of Taiwan's central bank, said in an interview: "When we established the goal [of liberalisation in 2000], there was no such thing as Asia's financial crisis, but in the light of that crisis we have to consider whether to move to completely free capital flows."

Mr Shea said he had "some sympathy with Malaysia" and other countries that have recently reimposed stiff controls on capital flows, although Taiwan had no plans at present to take similarly stringent measures.

Taipei will press ahead with liberalisation of its financial markets for foreign portfolio investors as promised by the end of 2000, a measure which is a prerequisite for Taiwan's accession to the World Trade Organisation, he said.

But, in a signal of the Taipei government's growing reluctance to push ahead with the complete liberalisation of foreign exchange on the capital account, Mr Shea said Taiwan was now unlikely to lift all controls on capital flows by the end of 2000.

"When we talk about 2000, we are talking about phasing out restrictions on foreign investors in the stock markets. We are not talking about phasing out capital controls," Mr Shea said.

Taiwan maintains selective controls on capital flows, such as a $5m ceiling on the amount of money individuals can remit in and out of the country. Earlier this year, the central bank imposed new curbs on foreign exchange, cutting off speculators' access to the local dollar by restricting trade in non-delivery forward contracts.

Mr Shea suggested that, for example, the $5m limit on remittances would be retained after 2000. "Although we are moving in the direction of financial liberalisation, we adopt a gradualist approach. We move very slowly, very cautiously... The Asia crisis has reaffirmed our approach."

Taiwan's currency has depreciated by roughly 20 per cent over the last year. Still, the island has boasted one of the best-performing economies in Asia this year – the central bank now forecasts around 5 per cent growth for 1998 – and the currency has been relatively stable since the bar on domestic trade in non-delivery forwards was introduced earlier this year.

Mr Shea also called on the Group of Seven industrialised countries to regulate the participation of hedge funds and the movement of "international hot money" on world currency markets. "The massive flows in international capital markets have done much to damage international society... some regulation of the flow of money from hedge funds should be considered."

Mahathir 'had no choice' but to arrest Anwar

By Sheila McNulty in Kuala Lumpur

Mahathir Mohamad, Malaysia's prime minister, yesterday defended the detention of his sacked deputy, Anwar Ibrahim, and the violence meted out to those calling for reform, insisting he had no choice after rioting broke out.

The authorities had intended to arrest and charge Mr Anwar after completing investigations into allegations he committed sodomy and other offences. But after Mr Anwar staged a rally without a permit on Sunday leading to rioting, Dr Mahathir said police were forced to detain him under the Internal Security Act (ISA), which allows detention without trial. Deputy home minister, Tajol Rosli Ghazali, said police would charge Mr Anwar as soon as possible this week to prevent further charges of injustice from being directed at Dr Mahathir.

Two men have been jailed after confessing to permitting Mr Anwar to sodomise them. "I cannot accept a man who is a sodomist to become the leader of this country," Dr Mahathir said. Mr Anwar denies the charges and says those who confessed were tortured into doing so. Many Malaysians believe Mr Anwar's countercharges that he is being targeted for becoming a rival to Dr Mahathir, who has led the country for 17 years.

Thousands protested outside the courthouse on Monday, in spite of being fired at with tear gas and water cannons. One man was beaten with batons.

Police said they arrested 132 of Mr Anwar's supporters and freed 107 on bail yesterday. Most of the organisers of Mr Anwar's reform movement were taken in, leaving his wife, Wan Azizah Wan Ismail, in charge. Dr Wan Azizah said police have warned her against holding rallies, indicating they would detain her, leaving her six children without a parent.

But she protested against charges that Mr Anwar's supporters were inciting violence. Only several hundred followers remained of the 10,000 who had sometimes filled her street to hear Mr Anwar speak a week ago.

Dr Wan Azizah is an eye doctor, not a politician. But she insisted she would do what she could to press for reform. "The support is much more," Dr Wan Azizah said. "You can see the frustration building up. That's why the police have come twice to ask me to cool it down."

Some supporters drove out of the capital to stage a rally but were intimidated there by riot police. Four non-governmental organisations launched a signature campaign calling for independence of the judiciary, as well as integrity of the attorney general and the police.

"Once again, the ISA is being used to silence opponents of the political leadership and to create a culture of fear," said Aliran, a social rights group. "The move to detain politicians, academics and youth leaders who have opposed Prime Minister Mahathir Mohamad is clearly retrogressive and sends Malaysia further down the path of authoritarianism."

Sihanouk fails to make rivals agree to form new government

By Ted Bardacke in Siem Reap, Cambodia

Cambodia's political parties remain deadlocked over the formation of a new government despite a forceful plea from King Norodom Sihanouk at a summit of the leading protagonists yesterday.

The talks, held in the shadow of the majestic Angkor Wat temples, marked the first time since the coup of July 1997 and the disputed elections of July 1998 that leaders of the three main political parties had met.

In the wake of more than a week of violent confrontations in the capital of Phnom Penh, the summit ratified an agreement by the parties to attend the first session of the National Assembly to be held tomorrow.

But no progress was made on the make-up of a government. Hun Sen, strongman and coup leader, who was declared victorious in an election the fairness of which is questioned by the opposition, needs the support of either the royalist Funcinpec party or Sam Rainsy's party to be declared prime minister.

"As far as the formation of a government administration is concerned, we still have a long way to go," said Prince Norodom Ranariddh, the Funcinpec leader.

Mr Rainsy, whose arrest was ordered by Hun Sen earlier this month and then cancelled, said: "I am under threat. This is coercion." Mr Rainsy said. "Anything obtained, extorted, under duress is not valid."

Royal insiders say King Sihanouk hectored the political leaders, first insisting that they form an all-party coalition, then saying that a two-party government was acceptable. He directed most of his cajoling towards his son, Prince Ranariddh, who did little to help his cause by arriving at the meeting 30 minutes late.

Prince Norodom Ranariddh is greeted by supporters on his arrival yesterday at Siem Reap to attend talks on forming a government AP

Many Funcinpec leaders are wary of an alliance with Mr Hun Sen, after their previous coalition with him was ended by last year's coup, which ousted Prince Ranariddh. In addition, the bulk of the party's urban support would feel betrayed by a deal with Mr Hun Sen, whose removal they were demanding in daily clashes with police earlier this month.

At least 16 bodies – at least two of them thought to be monks – have been found dumped around the capital since the demonstrations ended. Some of the bodies showed obvious signs of torture and execution-style killings.

Prince Ranariddh said the investigation of these deaths was crucial to resolving the deadlock; not one person has been arrested for either the 100-plus extra-judicial killings following last year's coup or the dozens left dead in a grenade attack on Mr Rainsy last March.

Mr Hun Sen showed little sign of flexibility yesterday, refusing to speak to the press and ordering his guards to break up an incipient peace march by Buddhist monks in the capital.

He has also put an overseas travel ban on all opposition MPs, which diplomats say is an attempt to force them to attend parliament.

● Reuters adds from Phnom Penh: Amnesty International yesterday called on the international community to speak out against what it described as a new wave of human rights abuses in Cambodia.

"The latest violations are the consequence of near total impunity for authorities who abuse their power, reinforced by the complicit silence of the international community," the UK-based human rights group said.

NEWS DIGEST

GOVERNMENT INVESTIGATION

Funds shortfall found in Brunei Investment Agency

Brunei has announced the discovery of widespread misappropriation of funds from the Brunei Investment Agency, which manages the sultanate's overseas assets.

Prince Jefri, the disaffected younger brother of the Sultan, was stripped of control of the agency earlier this year, when reports of financial mismanagement emerged. He insists he did nothing wrong and is the victim of a plot by Moslem conservatives with an "unhealthy influence" over the Sultan.

The Sultan launched an investigation, which his office now reports discovered that an undisclosed amount of money was directed toward private projects and property purchases, as well as to private individuals and companies. The government did not give names in its statement but clearly implicated Prince Jefri. Since the investigation began, it said misappropriation ceased, creating financial shortages in the companies owned by Prince Jefri's Amedeo construction company, as well as related companies.

Brunei said a team of senior government officials and foreign professionals were continuing to investigate "to recover the large sums of money used" and determine appropriate measures. **Sheila McNulty, Kuala Lumpur**

AUSTRALIAN ELECTION

Labor holds lead in polls

Australia's opposition Labor party has maintained a narrow lead over the conservative coalition of John Howard, the prime minister, in the lead-up to October 3 general elections, according to opinion polls published yesterday. In a contest tipped for a photo-finish, Labor polled 43 per cent, ahead of Mr Howard's Liberal-National coalition with 42 per cent in the latest Newspoll, Australia's most comprehensive survey of political sentiment.

Support for One Nation, the populist party led by independent MP Pauline Hanson, continued to slide, falling another percentage point from earlier this month to 6 per cent from its high of 13 per cent in July. Labor needs an extra 27 seats in the 148-seat lower house, representing a uniform swing of 3.7 per cent, to unseat Mr Howard's coalition. **Gwen Robinson, Melbourne**

PAKISTAN ECONOMY

IMF loan deal in sight

Pakistan and the IMF are working towards finalising a new loan agreement by the weekend, to stave off Islamabad's impending foreign debt crisis, senior government officials said yesterday. A meeting between Nawaz Sharif, the prime minister, and Bill Clinton, the US president, in New York this week, gave an impetus to the negotiations, they added.

The size of a new loan is still not clear. Pakistan is trying to put together a package of loans worth $4bn-$5bn in the financial year to next June. **Farhan Bokhari, Islamabad**

HONGKONG TELECOM

Salary cuts abandoned

Hongkong Telecom yesterday bowed to pressure over plans to cut staff salaries by 10 per cent, saying it would instead return to the negotiating table and explore alternative cost-saving measures.

The move marks a victory for the 13,800 workers at Hongkong Telecom, the territory's dominant carrier and one of its biggest employers. The government was quick to welcome Hongkong Telecom's standown, which came after five days of protests involving rallies, chanting and petitions. **Louise Lucas, Hong Kong**

Hong Kong property market feels the breeze of Asia's crisis

Louise Lucas looks at a growing desperation in the sector despite government efforts

Slashed price tags, guarantees against further falls and free BMWs: Hong Kong property developers are trying it all, and still the bulk of those wooed to viewings of new flats (free Coca-Cola and meatballs included) are day trippers.

The mounting desperation among the property developers – who, along with banks, sustain two of the main pillars of Hong Kong's faltering economy – suggests that the government's recent panoply of measures has subdued but not eliminated the root problem: high interest rates.

"Clearly the worst is not over. We are not out of the woods yet," says Steven Xu, treasury economist at Standard Chartered Bank.

Deflation means that real interest rates are rising even if the headline level is unchanged, and the gap between rates in the interbank market, where banks access funds, and the prime rates which dictate lending rates had been widening up until early this month.

The trend, interrupted by the government's move to bolster liquidity in the money markets, had been broadly upwards since last year. The focus now is on how long the respite can be sustained: volatility in markets across the globe and a fragile confidence at home suggests the lower interest rates may be short-lived.

That spells deepening gloom for the interest rate sensitive property and banking sectors, already under pressure from weak demand and growing defaults.

Three month Hibor (the Hong Kong interbank offered rate), the benchmark for corporate lending, was on a par or marginally above US rates in the first half of 1997, testament to the currency peg which ties the Hong Kong dollar to the US dollar at the rate of 7.8:1.

But investors began to question the link after other Asian currencies started to dismantle fixed exchange rates in July last year, and in the second half the average premium over the US was around 300 basis points. By August of this year, that premium had risen to 800 basis points, according to Standard Chartered figures.

Higher interest rates are the automatic response of the peg's currency board, which backs every Hong Kong dollar with its US equivalent. Speculative attack, or capital flight, pivots interbank interest rates higher.

High interest rates squeeze margins and increase funding costs as credit agencies hover with downgrades

The downside of the mechanism, and one long exploited by speculators who have attacked the currency to reap gains from the stock market, is that it continues to spiral: higher interest rates feed through to falling asset prices and weak demand, which in turn rekindle doubts over the resilience of the peg and prompt more currency attacks.

For the property barons, therefore, and the banks who serve them there has been limited comfort in the rising share prices. High interest rates are squeezing margins and – in another vicious circle – increasing their cost of funding again as credit agencies hover with downgrades.

So far political considerations have ruled out a rise in prime rates. But, Simon Maughan, head of Hong Kong research at Indosuez WI Carr, notes, banks lost money for three of the first six months of the year.

The government's measures in the money markets have helped eliminate some of the volatility and increases in interest rates, and three month Hibor has remained below prime lending. But if that changes, sparking more defaults, he reckons banks will lose money over the year as a whole.

Bad debts are already growing, and analysts reckon the proportion of non-performing loans could rise to as high as 8 to 10 per cent. Traditionally bad debts have been the preserve of trade finance, but as property prices plunge and provisions by developers burgeon, the mix is likely to broaden.

Keith Irving, banking analyst at Merrill Lynch, calculates that once property prices have fallen 70 per cent from the peak last June – a level forecast by several houses, including his own – the residential mortgage portfolio as a whole will have no equity left.

Homes bought at the peak, from where prices have now fallen some 50 per cent, are already in negative equity territory. This may have less impact on banks than the numbers suggest. Mortgage delinquencies are tiny in Hong Kong, at between 0.3 to 0.5 per cent of total mortgage loans. Even if this were to leap to 5 per cent, Mr Irving says, the necessary provisions would still be a relatively small 0.3 per cent of the total mortgage portfolio or 0.1 per cent of total lending.

Mortgage defaults are more likely to be triggered by unemployment, now at a 15 year high of 5 per cent and rising, than negative equity concerns. If cashflow is no longer coming in, payments may well stop, but homeowners are less likely to jettison their major asset simply because their equity has been eroded.

Of more concern are corporate defaults. These have already occurred among small companies, including retailers and property developers. "For companies, it's a double whammy: bad ones won't be making repayments, but even good ones are struggling because they are struggling to find financing," says Mr Irving.

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†Transactions completed 1/1/98 through 6/30/98, based on full credit to agent-only by dollar volume. Source: Loan Pricing Corporation calculated by BankAmerica Securities, Inc. ‡Transactions completed 1/1/97 through 6/30/98, based on full credit to agent-only by dollar volume. Source: Loan Pricing Corporation calculated by BankAmerica Securities, Inc. *Transactions completed 1/1/97 through 12/31/97, based on full credit to agent-only by deal volume. Source: Loan Pricing Corporation calculated by BankAmerica Securities, Inc. Investment banking and securities products provided principally through BankAmerica Securities, Inc., the broker-dealer affiliate of BankAmerica Corporation. **Consummation of the merger of BankAmerica Corporation and NationsBank Corporation is subject to shareholder approval and the satisfaction of other conditions. The merger will occur by September 30, 1998. This advertisement has been approved by Bank of America International Ltd., regulated by the SFA. The regulatory regime applicable to Bank of America outside of the United Kingdom, including any compensation arrangements, will be different to that in the United Kingdom. ©1998 BankAmerica Corporation

CREDIT CARDS QUARTER OF WORKFORCE TO GO IN DRIVE TO MAINTAIN LEADERSHIP OF MARKET

Barclaycard to shed 1,100 jobs

By Christopher Brown-Humes and Juliet Jowit

Barclaycard is to cut 1,100 jobs – a quarter of its workforce – in a drive to cut costs and maintain its leadership of the £60bn ($99bn) UK credit card market in the face of intense competition.

The announcement will add to gloom about the UK economy, as it shows job losses spreading from manufacturing to services.

Barclaycard, which has 6.5m customers owning 9.4m cards, was the first credit card to be launched in Europe, in 1966.

But its market share has fallen from 33 per cent to 28 per cent over the past five years as a wave of new entrants have challenged the traditional supremacy of domestic banks. Whereas there were only 40 different cards in issue in 1990, today there are more than 1,200.

US banks, such as MBNA, Capital One and People's Bank, have been the most aggressive, offering no-frills cards and lower interest rates than their rivals. British supermarkets such as J Sainsbury and Tesco have added to the competition.

Barclaycard has responded to the challenge by cutting interest rates and scrapping its annual fee for high spenders. But analysts said its standard interest rate at 22.9 per cent was still higher than most competitors and its systems lagged behind new entrants.

Steve Worthington, a card specialist at Staffordshire University, said: "The card industry is becoming increasingly automated and competition is incredibly intense. Barclaycard is responding on both counts."

The jobs will be shed over the next three years as the company invests £30m in systems to improve customer service and efficiency. The cuts will fall most heavily on the group's Northampton headquarters in the English midlands, but centres in Birmingham, Manchester and north-west and north-east England will also be hit.

Bob Potts, Barclaycard chief executive, said the operation was still highly profitable with first-half profits up 23 per cent – or 45 per cent before provisions – at £188m. "The competition is tough. The UK is the most competitive and open market in the world, apart from the US, and entry barriers are low," he said. "What we are trying to do today is set benchmarks for customer efficiency and cost efficiency that others will have to match."

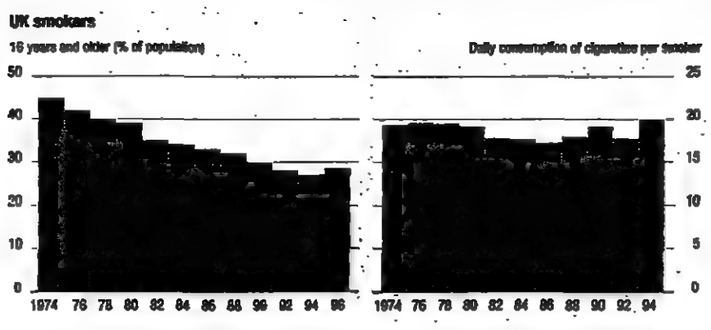
The job losses raised fears for the future expansion of call-centre jobs, especially after the wave of manufacturing redundancies.

John Dickie, leader of Northampton's municipal authority, said the redundancies from the city's biggest employer were a blow to the local economy.

Lex, Page 23

The industry that fears brand loyalty going up in smoke

John Willman reports on legal moves by UK cigarette manufacturers to overturn the EU directive banning tobacco advertising



Striking a blow for freedom of expression? Or pointless posturing by a well-heeled industry, causing unnecessary and damaging confusion?

That will be the choice for the High Court in London when it considers the tobacco companies' bid to overturn the European Union ban on advertising in the next few months.

Four big UK manufacturers yesterday confirmed they would ask for the directive to be referred to the European Court of Justice in Luxembourg for a declaration that it is illegal and violates several principles of European law.

British American Tobacco, Gallaher, Imperial Tobacco and Rothmans – which account for more than 90 per cent of the £12bn ($19.8bn) annual UK cigarette market – say their basic rights have been violated.

"The ban is totally unjustified," says David Swan, chief executive of the Tobacco Manufacturers' Association, who is speaking on behalf of the four companies. "According to legal experts, including the European Parliament's legal affairs committee and the European Council's own legal advisers, they do not have a sound basis in law."

But the European Commission is certain it can defend the directive.

It added that while the council's legal advisers had opposed an earlier and "radically different" draft of the directive, they had backed the final version – as had the Commission's advisers and the European Parliament's. As for the parliament's legal affairs committee, it was made up of members of the European parliament rather than legal experts.

The directive, approved in December by 11 of the 15 EU states, bans all "commercial communication" which aims to promote tobacco products or has that effect. By 2006, it will phase out all promotion – including direct mailing and sponsorship.

The companies claim it is not clear that a ban on advertising will reduce smoking at all

The companies are challenging it on several grounds, including incompatibility with the principle of subsidiarity. It says the public health goals of the legislation could be better achieved by member states – as with the UK's voluntary code, which has seen a steady decline in smoking.

More important, they say the directive was introduced under article 100a of the Treaty of Rome, which covers harmonisation provisions for the single market. It has been done in this way, according to the companies, because there are only limited powers to pass public health laws in Brussels.

The European Union does not have legal power to legislate in this area, they say.

They will also argue that the directive infringes the European Convention on Human Rights – in particular, for freedom of expression and the right to property.

It breaches the general principle of proportionality as well, they claim. An advertising ban is unnecessary to achieve the objective of reducing smoking.

Indeed, the companies say it is not clear a ban will curb smoking at all. Norway has seen a rise in consumption since imposing severe restrictions on advertising.

Mr Swan says there is already a growing level of illegal imports from EU countries with lower tobacco tax than the UK. Companies need to build brand loyalty if they are to compete.

But the anti-smoking lobby sees the legal move as yet another attempt by wealthy tobacco companies to delay the inevitable.

"The professional legal services of the council, the Commission and the parliament have all waved this directive through," said Clive Bates, director of Ash, the British anti-smoking campaign group. "This move is a posturing diversion."

Peugeot to boost output for new 206 model

By John Griffiths in London

Productivity improvements at Peugeot's Ryton plant in the English midlands will result in the new 206 model being built at a much higher rate than its predecessor, despite cuts to the workforce by more than a third, the company said yesterday.

Ryton has slimmed its workforce by more than one-third to 2,100 from 3,400 over the past two years. More flexible working practices mean the smaller workforce will produce the 206 at a rate of 2,500 a week by mid-December. This compares with 1,600 a week for the 306 model, its predecessor. Richard Parham, managing director of Peugeot UK, said yesterday. The company is preparing for the UK launch of the 206 in November.

Ford said this week that it is to cut output of the Fiesta from its Dagenham plant outside London because of falling export demand. But Mr Parham said Ryton expected to lift the proportion of its 206 production going for export to around 60 per cent, compared with 35 per cent for the 306.

The 206 – also produced at Mulhouse in France at a rate of 6,000 a week – is competing in one of Europe's biggest new-car markets, with 3m sales a year.

Ryton is scheduled to produce around 115,000 206s next year.

But Mr Parham said Ryton's new flexible working procedures raised the prospect of a further substantial jump in output - to as high as 140,000 cars a year. This would involve the creation of several hundred jobs.

Vauxhall, the UK subsidiary of General Motors, has already decided to recruit an extra 1,000 workers for a third shift at its plant n north-west England where its own new model, the Astra, is being built.

NEWS DIGEST

EMPLOYEE RIGHTS

Workers' protection plans to be watered down

Peter Mandelson, the chief trade and industry minister, is poised to dilute proposals giving greater protection to employees and increased rights to trade unions, following pressure from the Confederation of British Industry, the employers' lobby. Mr Mandelson will drop plans to abolish the ceiling on compensation in unfair dismissal cases, according to a senior government member. Ministers had focused on the fundamental question of union recognition rules, giving insufficient scrutiny to other elements of the package. This expected policy U-turn follows intense lobbying from the CBI. John Monks, general secretary of the Trades Union Congress, meets Mr Mandelson this week. He is likely to express alarm at any proposal to water down employees' rights to represention by a trade union in the case of a grievance against his or her company.

The CBI has complained this would give trade unions the right to interfere in the running of companies on trivial pretexts. **Robert Peston, London**

PENSIONS

Rethink urged for lottery

The National Lottery should be recast as a conduit for contributions to funded second pensions, Frank Field, the former minister for welfare reform who resigned from government in July, will argue tomorrow. The government should give "serious consideration", prior to the renewal of the lottery licence in September 2001, to the idea of reconstructing the game to expand pension contributions and turning it into a "savings club scheme", Mr Field will say at a meeting of the Association of Friendly Societies. **Liam Halligan, London**

INTERNET

Retailer launches free access

Dixons, Britain's biggest electrical and electronics retailer, signalled the start of an internet price war yesterday, when it launched a free Internet access service in conjunction with Planet Online and Energis. The move is likely to cause consternation among the UK's estimated 250 independent internet service providers, most of whom charge subscribers between £7.50 ($12) and £15 a month. Dixons is the second big retailer to launch an internet service.

In July Tesco, the supermarket, launched its own branded service but is charging subscribers £8.99 a month. **Peggy Hollinger and Paul Taylor, London**

PRIVATE EDUCATION

New call for public funds

Independent schools are to press ministers to reopen the debate over government funding of pupils from families too poor to pay for a private education following a Mori poll of parents published yesterday by the Independent Schools Information Service. The survey shows more than half would choose to send their child to a private school if they could afford the fees. **Simon Targett, London**

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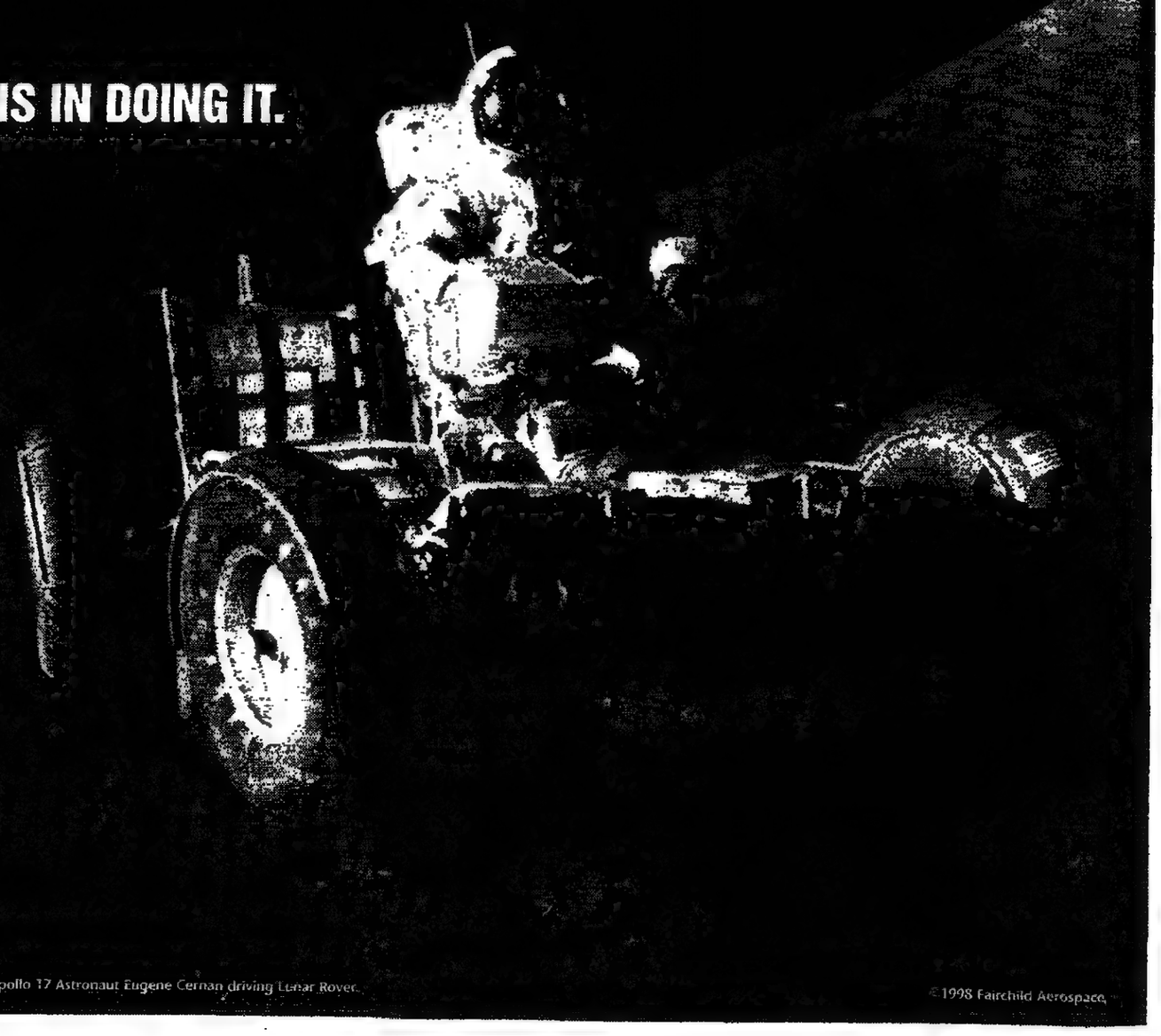

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Apollo 17 Astronaut Eugene Cernan driving Lunar Rover.

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NORTHERN IRELAND MINISTER SAYS IRA DECOMMISSIONING SHOULD NOT BE A PRECONDITION FOR SINN FEIN'S ENTRY TO EXECUTIVE

Unionists warned not to obstruct peace deal

By John Murray Brown in Belfast

Mo Mowlam, the chief minister for Northern Ireland in the UK government, issued a veiled warning to the Ulster Unionist party, the biggest pro-British party in the region, not to obstruct the peace process.

She said the region's interim executive, outlined in the Good Friday agreement, should be in place before the end of October, and that arms decommissioning by the Irish Republican Army should not be a precondition for Sinn Féin's participation. Sinn Féin is the political wing of the IRA.

Her comments will come as a blow to David Trimble, the province's first minister and UUP leader, who has said his party will not sit in government with Sinn Féin until the IRA hands over some weapons.

The warning came as diplomatic efforts were stepped up to restore momentum to the process, with Ms Mowlam due in Dublin today to meet Bertie Ahern, the prime minister of the Irish Republic.

Mr Trimble was last night expected in Dublin for a meeting with Mr Ahern, where he was expected to try to enlist the support of the Irish premier.

But Ms Mowlam signalled the government's increasing impatience with the row over the formation of the executive. This has meant that parties have still not decided on the number of the ministries it will have.

Asked whether the IRA would have to start decommissioning before Sinn Féin could join the shadow executive, she said: "There needs to be progress on all dimensions. But there is nothing in the Good Friday agreement that says that one has to happen before the others."

In more guarded comments, she told a joint British-Irish parliamentary meeting in York, in northern England, that both sides should give each other more space to make compromises.

Michael Mates, the former Conservative Northern Ireland minister, said Ms Mowlam had to understand the political difficulties facing Mr Trimble, warning that "what's one person's space is another person's ring-fence".

Her comments came as the Royal Ulster Constabulary, the Northern Ireland police force, announced further troop reductions. Ms Mowlam said the reductions were "part of the normalisation process" and was not a lever to encourage a response from Sinn Féin.

The withdrawal of the 1st Battalion of the Highlanders, and the 39 Regiment (Royal Artillery), brings troop levels to around 16,000.

The timing, coupled with the announcement that the RUC and army are considering scaling down security bases "in the near future" will put pressure on the IRA to make a move on decommissioning.

Sinn Féin said the troop moves should have taken place "a considerable time before now".

Stonehenge solution

A solution to the problems dogging Stonehenge, the UK's most important archaeological site, was announced yesterday by Chris Smith, the chief culture minister, Antony Thorncroft writes. It involves returning the southern England site as near as possible to its original landscape. Of two roads close to the stones, one will disappear into a £125m 2km tunnel, and the other will close. Around 785,000 people visit Stonehenge annually. In 1993 a House of Commons committee described it as "a national disgrace".

Drugs industry faces a new prescription from state health service

The rising bill for pharmaceutical products has turned ministers' attention to a deal with the sector. **Nicholas Timmins** reports

The pharmaceutical industry insists it is at an "extremely early stage" in negotiations with the government over what, if anything, will replace the voluntary agreement that controls drug company profits on sales to the state health service.

Health ministers have declined to comment on speculation that they want to swap the Pharmaceutical Price Regulation Scheme for a system that directly controls drug prices. The Association of the British Pharmaceutical Industry says "a wide range of options are being considered by both parties as to the shape of any future scheme".

But ministers are clearly alarmed at the National Health Service's escalating drugs bill, which has been rising at about 10 per cent a year. They also fear the cost of the new "lifestyle" drugs such as Viagra and the anti-obesity treatment Xenical, launched this week. Each could add more than £50m ($82m) a year to the £5bn NHS drugs budget, even if their use is controlled.

The government is also angry that the bigger drug manufacturers have been selling some of their least profitable, older products to smaller pharmaceutical companies that have then doubled prices. In a recent case, prices were raised seven and eightfold for heavily used drugs that induce labour and prevent haemorrhaging after childbirth – potentially adding £2m-£3m to the NHS drugs bill.

Such sums are tiny compared with the total NHS drugs budget. But ministers feel the industry is cheating on a scheme that – by broadly capping overall profits rather than prices – effectively allows companies high prices on new medicines to win back research costs in return for lower prices on established products.

The PPRS, which dates back to 1957, has long been controversial. US-based pharmaceutical companies are generally more hostile to it than UK groups as it pursues the conflicting aims of controlling the state drugs bill for branded medicines, while promoting a strong and profitable industry that earns large sums in exports. Key criticisms are that the scheme remains secretive, making it difficult for outsiders, including individual companies, to judge whether it is being applied fairly. It is also said to provide few incentives to cut costs.

Some observers, such as Dr Joe Collier, editor of the Drugs and Therapeutics Bulletin, believe the PPRS has had its day.

The difficulty is finding a replacement. The US has free pricing – an approach the UK is unlikely to adopt. Several continental European countries use a weighted average of other countries' drug prices. UK prices, on average, are already in the mid-range. Some countries – including France and Germany – attempt to measure therapeutic benefit and price accordingly, but the costs of attempting that could be high.

A less radical option might be to place the PPRS on a statutory basis – with greater incentives for companies to cut costs – rather than design a completely new system aimed at controlling the price of individual drugs.

As Roche formally launched Xenical yesterday, the British Medical Association protested it was another "new and expensive treatment which has suddenly become available on the NHS with no planning or guidance".

On some estimates it could cost the service £70m a year. The Department of Health, which last week imposed a temporary ban on Viagra, the anti-impotence pill, said it was "considering the potential impact on the NHS". Guidance on Xenical's usage would be issued if the review shows it to be necessary.

Amnesty criticises 'ethical' foreign policy

By David Buchan, Diplomatic Editor

Efforts by Robin Cook, the foreign secretary, to put human rights at the heart of UK foreign policy have been undermined by other departments dragging their feet on arms exports and asylum policy, Amnesty International said yesterday.

David Bull, director of the human rights organisation's UK branch, summed up the balance sheet as "fair start, but could do better".

On the positive side, Amnesty said, was the government's support – against US opposition – for the setting up of a strong International Criminal Court, incorporation of European human rights guidelines into UK law, the ban on landmines and "limited measures" to restrict arms sales to repressive governments.

But commercial and strategic interests still dominate foreign policy, Amnesty claimed. The Foreign Office did not get enough backing from the Department of Trade and Industry, , the Ministry of Defence and the Home Office.

The DTI, with MoD backing, is still approving arms sales to countries which have used imported weapons to repress their peoples, Amnesty said. Since May 1997, export licences for military equipment have been granted to Algeria (10 licences), Colombia (10), India (535), Indonesia (64), Kenya (34), Pakistan (128), Saudi Arabia (59), Sri Lanka (67), Syria (13), Turkey (146), Zambia (14) and Zimbabwe (54).

Amnesty calls for the DTI to be replaced as the regulator of military exports by a body "without a conflicting interest in promoting overseas arms sales".

The report also criticises asylum policy, in particular the withdrawal of welfare benefits from applicants.

TELEVISION PRIX ITALIA

Feeling its age fifty years on

The quality of the programmes is still impressive, but values appear to be changing, writes **Christopher Dunkley**

Scene from Finland's 'The Man Who Never Was', a highly stylised reflection of the work of Portuguese writer Fernando Pessoa, which won the performing arts prize

The world of television is changing – and not merely because of the coming of digital transmission, though this week that may be the most obvious evidence. Half a century ago the Prix Italia was established in one of the many gestures of international co-operation which followed the ending of the second world war. Radio was then the dominant medium, and these were public service broadcasting organisations. But in the course of the next 25 years membership of the festival expanded to take in the whole of the world – although Africa and Asia have alway been under-represented.

The BBC was a founder member. Within nine years television prizes had been added to the radio awards, and British commercial television became a member. Over the next four decades, with Channel 4 boosting Britain's membership to three, the UK won more prizes for television at this, the original and most highly regarded of all broadcasting festivals, than any other country. Britain won almost three times as many television prizes as the next most successful country, France, which has even more participating networks than Britain.

The Prix Italia consists of its member organisations, and the British, whose efforts met with such success, became key participants. The categories – drama, documentary, and arts – played to their strengths, and British television's top brass became familiar figures in whichever beautiful old Italian city played host to the annual late summer jamboree. It was not unusual for the chairman, director-general and several network controllers to attend. This year, however, the 50th anniversary of the event, held in Assisi as a mark of faith in the future after last year's earthquake, the British were outnumbered by the Finns. More embarrassing, the only mention of the BBC or ITV at Saturday's announcement of the winners, was a commendation for the Teletubbies website. Very imaginative, said the jury, but not a winner.

British pride was saved by Channel 4 which won the Prix Italia for single-drama with the original, if bizarre (and arguably ineligible) *Granton Star Cause*. Adapted from a story by Irvine Welsh, it is the saga of a young football-mad Scotsman who is kicked off his team, thrown out of his parents' house, sacked from his job, dumped by his girlfriend and beaten up by the police in swift succession. Drowning his sorrows in a pint of heavy, he discovers that one of his fellow drinkers – a bearded chap who swears like a trooper – is God. Tired of the young man's whining, God turns him into a fly, whereupon he uses the peculiar talents of a fly to take revenge on his oppressors. Whether this really qualifies as a "single play", being the first of the three-part cinema production, *Acid House*, seems questionable. But why should Channel 4 argue.

Hammarkullen, a soap-opera about life on a mixed immigrant housing estate, won the series drama prize for SVT Sweden. The prize for cultural documentaries went to *Diario di una Siciliana Ribelle* – a sad and moving current affairs programme about the life of a Sicilian teenager who was found dead outside her house after she had insisted on giving evidence against the members of the Mafia who murdered her father and brother – a highly accomplished French co-production directed by Sicilian Marco Amenta, who is still in his 20s.

Another current affairs documentary, *Why Did They Kill Their Neighbours?*, about the slaughter of Tutsis by Hutus in Rwanda in 1994, won the current affairs documentary prize for NHK of Japan; and YLE/TV1 Finland won the prize for performing arts on television with *The Man Who Never Was*, a highly stylised reflection of the work of Portuguese writer Fernando Pessoa, made by the American director Joe Davidow using lots of modern technical wizardry.

Leaving aside the question of whether all these programmes really fitted their categories (a problem tossed into the laps of juries and the Italian secretariat by steering groups perhaps over-anxious for change), it has to be said that all of them were extremely good. So were many of those that did not win. The Russians gave us *Purgatory*, a drama about the war in Chechnya which was astoundingly explicit in its brutality and unrelenting in its images of chaos. Canada sent the first part of what appears to be an excellent documentary series on the history of the newsreel, *Dream Of The Eye*. And FR2 of France entered the opening episode of *Profession Profileur*, a series about a police psychologist which, while it does not match the power of characterisation in *Cracker*, is slick and highly entertaining.

Moreover, two of the British entries might well have won prizes if the wind had been in the west, or the juries had eaten differently. ITV's drama entry, *Girls' Night*, although 15 minutes too long, is a powerful piece about two women friends who work and play bingo together, and eventually fly to Las Vegas when one faces the last stages of cancer. The splendid performances from Brenda Blethyn and Julie Walters make it special. The BBC's documentary entry, *The Road To Treblinka*, was even stronger, though jurors may have been less impressed than those fortunate enough to have seen the entire series, *The Nazis, A Warning From History*, from which it was taken. Given the frequency with which the subject has been covered, this series produced an astonishing succession of new insights.

Those who do turn up want to hand out prizes for websites. But if websites, why not detergent commercials? Perhaps the very idea of quality and intellectual depth in programmes is going out of fashion

So the heartening thing to be said is that even though Kingsley Amis's famously morose declaration that more means worse will almost certainly apply to digital television, there are, at present, still a great many production companies striving to produce high quality programmes, and it is not just a question of big old public service organisations. Many of the 98 contenders in Assisi came from commercial companies, quite a number originating in small independents. And yet there was an unmistakable feeling of *fin-de-siècle* in the viewing rooms and all over La Cittadella, where this year's event took place.

Sadly what seems to be occurring is a failure of nerve. For half a century this festival has simply hunted out excellence in drama, documentaries and arts programmes and celebrated it with prizes. Sport, movies and game shows might take more and more of the ratings, but those who formed the Prix Italia were sure enough of their ability to spot real quality when they saw it. Today, with very occasional exceptions (Alan Yentob, the BBC's director of television was confident enough to put in an appearance at Assisi), BBC mandarins seem terrified of evaluating anything without reference to focus groups and audience ratings. You get the impression that, in a world where Rupert Murdoch makes the rules, broadcasting managers now feel that the very idea of giving someone a prize for making an outstanding programme about a dead composer or an old war is effete and snooty.

Meanwhile, those who do turn up want to hand out prizes for websites. But if websites, why not detergent commercials? Or a Prix Italia for the best listings magazine? Perhaps the very idea of quality and intellectual depth in programmes really is rapidly going out of date. If television in the new millennium is going to mean electronic pulp on 500 digital channels, then the ideas upon which the Prix Italia was built will indeed look quaint. What a shame.

Coping with hard, ungrateful music: Renée Fleming as Blanche

OPERA SAN FRANCISCO

Previn's 'Streetcar' lost in fog

Tennessee Williams's *A Streetcar Named Desire* testifies powerfully to the tragic consequences of living in illusion. The disappointment attending San Francisco Opera's much-touted world premiere of André Previn's *A Streetcar Named Desire* last weekend suggested it was illusion indeed to assume that Williams's play was a natural for the opera stage. Long before the fog lifted on the final tableau of Colin Graham's production, it was clear that the opera Previn composed was anything but inevitable.

Expectations ran impossibly high. The fulfilment of a 20-year dream of the company's general director, Lotfi Mansouri, San Francisco's *Streetcar* opened to a starry gala, the almost feral presence of the international music press, and the watchful ears and eyes of Deutsche Grammophon microphones and cameras poised to tape three subsequent performances conducted by the composer. But the sizzle quickly gave way to fizzle.

The opera's strengths are largely those of Williams's play, the liabilities mostly self-imposed. Any doubts that the opera is a smoke-and-mirrors enterprise are erased when the company literally gets out the fog machine for the finale, one of librettist Philip Littell's few innovations. After declaiming the play's most famous line, "Whoever you are, I have always depended on the kindness of strangers", Blanche wanders upstage, away from the other characters, repeating languidly into the mist "Whoever you are..."

The new ending is emblematic of an opera that hasn't figured out what it is apart from its source. Previn's score is neither the movie music some feared, nor the jazz score others hoped for. But precisely what is missing is a film score's feeling for mood, character and place, and any sense of continuity. And the few overtly jazzy passages inevitably announce that sex is afoot.

Instead, Previn has opted for music of a more serious cast, vaguely gestural, blandly melodic, mildly dissonant. It is unsettled and ultimately unsettling music that changes character every few bars for no discernible reason. Even the score's intermittent beauties become more vexing in their evanescence than satisfying in the moment. It is music that goes nowhere and, for three-and-a-half hours, goes there very slowly indeed.

Expectations ran impossibly high; but the sizzle quickly gave way to fizzle

In his opera debut, Previn seems to have overlooked the fundamental ways music can enhance drama. The vocal writing is oblivious to American speech-rhythms, and even in a drama obsessed with secrets and the barbouring of illusions, the composer rarely takes advantage of music's unique capacity to distinguish between speech and thought. Vocal ensembles are sparse in a story rife with opportunities for them, and arias seldom bloom out of the pervasive arioso. Even in big set-pieces, melody is abjured by seemingly random intervals.

Renée Fleming slathers a viscous southern accent over her high-cholesterol tone in a fiercely determined yet "smiling through" performance of the long, demanding role of Blanche. She lets her audience in on how hard and ungrateful her music is, winning its indulgence for the intermittent breathiness at the bottom of her range and the hooded tone up top. There is little evidence of inner frailty or mental dissolution, and her final descent into madness is as unconvincing as it is unprepared.

One barely notices how baritone Rodney Gilfry sings Stanley, since the role lacks an aria and audience attention is fixed on his unpitched screams of "Stella", his skill at chewing gum while singing, and the frequency with which he, or some other character, takes off his shirt.

If the endlessly willing, hard-working cast get little help from the neophyte Previn, they get less from Graham in what is billed as his 50th opera premiere. As in so much of his work for this company, the blocking is prosaic, there is little complexity and even less development of character. Stanley is a boor, Blanche a nightmare house guest, and their conflict is played out as a tawdry domestic drama. Michael Yeargan's set and costume designs faithfully recreate the New Orleans of Elia Kazan's 1951 movie, and Thomas Munn's lighting, at its accustomed high level, follows suit.

In the end, San Francisco's *Streetcar* shapes up as an old men's view of what is fundamentally a young man's drama.

Timothy Pfaff

INTERNATIONAL Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Nederlands Dans Theater I: triple bill comprising Sinfonietta by Jiří Kylián, Grass by Mats Ek, and Start to finish by Paul Lightfoot; Sep 25, 26

EXHIBITION
Rijksmuseum
Tel: 31-20-673 2121
Van Gogh in the Rijksmuseum: during the period of the Van Gogh Museum's closure for renovation and building work; to Mar 7

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Götterdämmerung: by Wagner. New staging by Pierre Audi, conducted by Hartmut Haenchen; Sep 23, 27

BIRMINGHAM

CONCERTS
Symphony Hall
Tel: 44-121-212 3333
● City of Birmingham Symphony Orchestra: conducted by Sakari Oramo in works by Sibelius, Dutilleux and Mahler; Sep 24
● City of Birmingham Symphony Orchestra: conducted by Sakari Oramo in works by Schubert, Mozart and Strauss; Sep 29

BONN

EXHIBITION
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
www.kah-bonn.de
Great Collections: the latest in this series of exhibitions is devoted to the Musée du Petit Palais in Paris. Concentrating on the museum's holdings of 19th century French art, the show comprises nearly 200 works and ranges across painting, drawing and sculpture. Includes works by Ingres, Delacroix and the Impressionists; to Sep 27

BOSTON

EXHIBITION
Museum of Fine Arts, Boston
Tel: 1-617-267.9300
Monet in the 20th Century: more than 80 works painted by the artist in the last decades of his life, beginning with paintings of the garden at Giverny; to Dec 27

BUDAPEST

EXHIBITION
Museum of Applied Arts
Tel: 36-1-217 5222
Zsolnay: Art Nouveau Ceramics. Display of 200 objects made between 1897 and 1918 at the family-owned Zsolnay factory in Pécs. Includes goblets, vases and other objects; to Sep 27

CHICAGO

EXHIBITION
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Julia Margaret Cameron's Women: 60 vintage prints of Victorian subjects such as Julia Jackson, mother of Virginia Woolf, and Alice Liddell; to Jan 3

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
La Gioconda: by Ponchielli. Conducted by Bruno Bartoletti in a staging by John Copley. The title role is sung by Jane Eaglen; Sep 26

COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Joan Miró: major retrospective comprising 140 paintings, drawings and sculptures; to Jan 10

GLASGOW

OPERA
Theatre Royal
Tel: 44-141-332 9000
The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Farnes; Sep 23, 26, 29

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Sir Colin Davis conducts works by Mozart and Bruckner in the opening concert of the autumn season. With piano soloist Radu Lupu; Sep 23, 24

Royal Festival Hall
Tel: 44-171-960 4242
Philharmonia Orchestra: conducted by Kurt Sanderling in works by Brahms, Beethoven and Shostakovich. With piano soloist András Schiff; Sep 26

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Otello: by Verdi. New production by David Freeman, designed by Tom Phillips and conducted by Paul Daniel/Mark Shanahan. David Rendall sings the title role; Sep 25

LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
● Carmen: by Bizet. Washington Opera production by Ann-Margret Pettersson, designed by Lennart Mörk. The conductor is Bertrand de Billy and the title role is sung by Jennifer Larmore; Sep 25
● Werther: by Massenet. Conducted by Emmanuel Joel in a co-production with Théâtre du Capitole Toulouse staged by Nicolas Joël and designed by Hubert Monloup. The title role is sung by Ramón Vargas; Sep 23, 26

MANCHESTER

CONCERTS
Bridgewater Hall
Tel: 44-161-907 9000
● BBC Philharmonic: conducted by Sir Charles Mackerras in a programme of works by Beethoven. With soloists including bass Willard White; Sep 26
● Hallé Orchestra: conducted by Owain Arwel Hughes in works by Dvorák, Mussorgsky/Ravel and Sibelius; Sep 27

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Kremerata Musica: conducted by Gidon Kremer in Piazzolla's Maria de Buenos Aires; Sep 24
● Symphonieorchester des Bayerischen Rundfunks: conducted by Yuri Ahronovitch in works by Weber, Mendelssohn and Mussorgsky. With piano soloists Anthony and Joseph Paratore; Sep 25, 26

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: Kurt Masur conducts Beethoven – The Complete Symphonic Cycle. Programme III (Sep 24, 25); Programme IV (Sep 26, 28)

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● Aida: by Verdi. Plácido Domingo conducts a production by Sonja Frisell, with a cast starring Maria Guleghina and Vladimir Bogachov; Sep 29
● Samson et Dalila: by Saint-Saëns. New staging by Elijah Moshinsky, with sets and costumes by Richard Hudson. For the season's opening night performance, James Levine conducts and the cast includes Plácido Domingo and Olga Borodina; Sep 28

PARIS

DANCE
Théâtre des Champs Elysées
Tel: 33-1-4952 5050
● Cuban National Ballet: Giselle, in a staging by Alicia Alonso; Sep 23, 24
● Cuban National Ballet: Swan Lake, in a staging by Alicia Alonso; Sep 25, 26, 27, 28, 29

SAN FRANCISCO

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
A Streetcar Named Desire: world premiere of a new opera by André Previn, with a libretto by Philip Littell based on Tennessee Williams' play. The staging is by Colin Graham. André Previn conducts and the cast includes Renée Fleming; Sep 23, 26, 29

TOKYO

CONCERT
Suntory Hall
Tel: 81-3-3584 9999
Minnesota Orchestra: conducted by Eiji Oue in works by Bernstein and Beethoven; Sep 24

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS

MARTIN WOLF

The last resort

Reform of the International Monetary Fund is clearly important. Even more important is to work out what the Fund is actually for

Newt Gingrich, Republican speaker of the House of Representatives, condemns the International Monetary Fund for its "French socialist" managing director and the money it has thrown away "to prop up the crooks". His colleagues warn of the moral hazard created by bailing out foolish financiers. The left condemns the IMF for its hard heart and intransigent devotion to the cause of capital market liberalisation.

The IMF is, it seems, doomed to unpopularity. Nor is its cause helped by the bouncy complacency of its boss, Michel Camdessus. When so many developing countries are succumbing to a virulent disease that the IMF has not prevented, predicted nor, so far, cured, greater soul-searching might have been expected than Mr Camdessus has shown in public.

Most observers, including Tony Blair, the prime minister, in his speech this week, agree that some reform is essential. The IMF must indeed be made more transparent; its operations need to be rigorously audited; its mistakes must be analysed. No institution, however competent its staff, is omniscient – and none should be treated as such.

Yet before considering detailed reform, it is necessary to ask a prior question: what is the IMF for? Some of the answers seem obvious: the world needs a set of rules and principles to guide economic policies; a vehicle for spreading best practice; a source of technical support; and a body capable of collecting information and providing high quality analysis. These are things the IMF must continue to offer.

The most important question, however, is whether the world also needs the loans that the Fund provides. The IMF was created to oversee the Bretton Woods system of fixed exchange rates buttressed by exchange controls. Is it a satisfactory lender of last resort in a world of free capital flows? The brief answer is no.

The argument for an international lender-of-last-resort – an official supplier of liquidity in a panic – rests on two pillars:

- Financial markets are prey to herd behaviour that can create all sorts of outcomes, good or bad, generated by self-fulfilling expectations.
- In a world of extreme exchange-rate variability, panics threaten whole countries, not just financial institutions within them.

The case for national lenders of last resort is widely accepted. It runs as follows. Managers have an idea of the underlying value of the assets against which a bank has lent. But the bank's creditors know little more than what managers tell them. Suppose an event shakes their confidence, maybe one that has nothing to do with the institution itself. This can create a panic that brings down any institution with illiquid assets and liquid liabilities.

Can this logic be applied to whole countries? Is it can, at least to a limited extent.

Suppose that foreign lenders become substantially more risk averse, perhaps for reasons that have little to do with the country. Such herd behaviour may drive a government into default, companies into bankruptcy and a country into depression, unnecessarily.

For example, capital flight may result from state-of-the-art risk management systems in advanced countries. These systems force the marking-to-market of portfolios and consequent margin calls when losses occur anywhere. The need to meet such calls will then drive down prices of apparently unrelated assets. Similarly, institutions are forced to sell the liabilities of countries downgraded by rating agencies. As Peter Garber, formerly at the IMF, points out: "The 'herd behaviour' that generates spillover emanates from the discipline imposed by supervisory authorities in the principal financial centres."*

A lender of last resort is the obvious solution. Such a lender would stand ready to provide liquidity in support of any country deemed structurally sound that was running out of reserves or was suffering a currency collapse. But if this is the demand, the IMF cannot meet it. IMF bail-outs are small in relation to the sums that can rush into or out of countries without controls. The Fund also phases the release of its money in tranches, in order to monitor conditionality. In consequence, the IMF cannot stop a panic. On the contrary, its arrival often signals crisis, while the small pot of money it offers is an inducement for creditors to rush for cash before it runs out.

One coherent reform would therefore be for the IMF to become a true lender of last resort, with resources to match. This could be justified only if potential borrowers accepted higher standards of external oversight and discipline than now. These standards would have to cover financial regulation, disclosure of information, macro-economic policies and exchange rates. Only if countries abide by the standards would they become eligible for non-conditional lending, in a panic. Conditionality would operate before the fact, not after it. (Indeed, this seems much the best way of handling access even to the more limited resources of today.)

The increase in resources to make the IMF a true international lender of last resort would be vast and will not happen. The people, politicians and policy-makers of the big countries will prevent it. The global system must therefore be made as robust as possible without such a lender. But here, the IMF's operations are once more an obstacle. The availability of IMF funding draws the attention of creditors and debtors from the pressing need to reach a settlement between themselves.

Three changes are need to overcome the problem. First, there must be speedy and internationally accepted procedures for calling a halt to the creditor "grab-race" and for implementing rescheduling, debt write-offs and corporate bankruptcy. Second, risk-creating lending by private financial institutions that are, in effect, guaranteed by the governments of rich countries needs to be far more carefully policed and restricted.

Finally, countries contemplating liberalisation of debt-creating inflows must be clear about the risks and preconditions. They need a strongly capitalised banking system, with strict prudential controls over foreign currency liabilities and assets; access to substantial international reserves; a strong fiscal position, moderate inflation and either a fairly freely floating exchange rate or a politically and economically robust currency board.

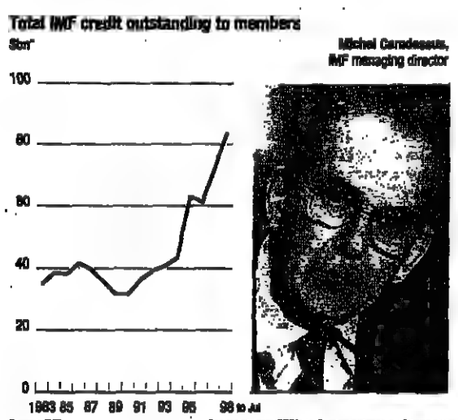
A country must, in short, either be able to live within the norms of an integrated global financial system that possesses no lender of last resort or it needs to limit the inflows that create the greatest risks. Since access to IMF resources cannot appreciably lower these risks, countries should design their policies as if those funds did not exist.

At present the IMF creates an illusion of protection, which only makes the world more dangerous. The fundamental dilemma is that the Fund is neither fish nor fowl – neither an international lender of last resort nor an institution whose function is to guide creditors and debtors towards needed debt restructuring. The central challenge confronting reformers is to design a more coherent role for the IMF as lender. But first they have to recognise that the limited bail-outs of today are part of the problem, not part of the solution.

* *Essays in International Finance, No 207, May 1998 (Princeton University)*

Martin.Wolf@FT.com

Total IMF credit outstanding to members



Source: IMF

* Converted from SDR's to $ using average exchange rates

LETTERS TO THE EDITOR

Strengthening the world financial system is easier said than done

From Mr Simon J. Evenett.

Sir, Now that Bill Clinton, the US president, has instructed his officials to devise plans for strengthening the world financial system ("G7 pledges united action on economy", September 15), we can expect a plethora of proposals in the financial press. Before letting the bull run wild in the china shop, may I suggest a series of questions that should be directed towards any proposed reforms.

First, do the proposals for preventing future crises go beyond bland statements about "strengthening the financial system" to make specific recommendations? For example, do they explain exactly how the legal, regulatory and financial systems would be developed? How long would it take to build the requisite administrative capability and what should nations do in the interim? And what conditions should be fulfilled before capital account liberalisation takes place and what form should it take?

Second, does the proposal provide guidance in curing crises rather than solely relying on developing new measures to prevent them? These new measures are unlikely to be fail-safe, and with financial contagion any crisis is unlikely to be local in its consequences. Doctors are trained in both prevention and cure. Financial doctors would be well advised to be likewise prepared.

Third, how would any new institution or organisation induce its member nations to comply with best practices? Put bluntly, how would the proposal deal with Japan (a nation that hasn't followed best financial and macroeconomic practices)? What teeth does the proposed institution have? And what are the likely implications for national sovereignty?

Fourth, how would decisions be made in any new organisation? Does the proposal reconcile the demands for participation by a large number of interested parties with the fact that only a highly responsive decision-making process could keep up with global financial markets open 24 hours a day?

To date, I have seen no proposal that comes close to satisfactorily answering these four questions. It appears that it is easier to castigate the current international financial architecture than to devise a coherent replacement.

Simon J. Evenett,
fellow,
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Whacky way to put decision-makers to the test

From Mr Guan-Seng Khoo.

Sir, With regards to Lucy Kellaway's article on the advice from "fools" for CEOs ("The wise company of fools", September 21), I wish to point out that Roger Von Oech, in his book *A Whack on the Side of the Head* (Thorsons, HarperCollins Pub, 1983), originally advocated that any decision-maker should ask a fool what he thinks. Otherwise, he has to deal with the problems of conformity and groupthink.

So, decision-makers and problem-solvers today should do what ancient pharaohs, emperors and royalty in the Middle Ages and Renaissance did by consulting the royal "fools" whose job was to whack the king's thinking out of habitual thought patterns – as he was often surrounded by advisers who were yes-men, exactly the thrust of Ms Kellaway's article.

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No time for excuses when the going gets tough

From Mr Basil Towers.

Sir, The adage "when the going gets tough, the tough get going" rings a little hollow when the boards of companies start to prepare their shareholders for bad news.

We hear much of the necessity for spectacularly high salaries to be paid to directors because of the need to attract individuals of the highest calibre. This is understandable. But when they start to shelter behind a screen of excuses – for example, exceptionally difficult market conditions; the value of the pound is too high; the wet summer has dented expectations – one does start to wonder whether value for money is being secured.

Surely the whole raison d'être of high salaries to secure high flyers is to ensure that companies are successfully managed through "difficult" times as well as the "easy".

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Photo taken at the Royal Windsor, Brussels.

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Unification turns sour

Mr Kohl could find himself ousted by disgruntled east Germans who no longer believe in his promise of 'flourishing landscapes', says Frederick Stüdemann

Richard Schröder does not understand his disgruntled neighbours in Blankenfelde, a suburb of east Berlin. "The houses here were all built in 1937. But since [German] unification [in 1990] we've had sewage and water systems installed, telephones put in, pavements and roads built, and so on. The [communist] German Democratic Republic did not manage to provide any of that in 40 years. This system has done it in five."

Yet in spite of the very visible improvements, the neighbours are not happy. While welcoming the benefits, they do not credit them to the government in Bonn or the "western system". Instead they prefer to focus on high unemployment and the feeling of being second-class citizens in the bigger, united Germany.

Almost nine years and over DM1,000bn (£335.50bn) in public transfers after unification there are thousands of Blankenfeldes across eastern Germany where the results of reconstruction are offset by dissatisfaction fuelled by sluggish growth and high unemployment.

Antipathy towards the west has found a voice in parties on the hard left and extreme right which suggest that east Germany should roll back many of its recent developments.

This is deeply worrying for the mainstream (western) parties. Not just because of the implications for united Germany. With the federal election on September 27 likely to be a close finish between Helmut Kohl's Christian Democrats (CDU) and the opposition Social Democrats (SPD), the east, where voters have already proved themselves less bound by party loyalty, could prove decisive.

So why has east Germany gone so sour? The simple answer is that expectations were raised too high, too soon. Easterners went into unification believing, perhaps naively, that they would soon achieve the prosperity enjoyed by their western cousins. Wishful thinking, certainly. But in the giddy summer of 1990, there were few people in the west who were prepared to tell easterners otherwise.

The D-Mark gave easterners hard currency and increased spending power, but thanks to an over-generous rate of conversion also wiped out one of the few advantages their clapped-out industries enjoyed: low prices. The western political, administrative and legal systems, carried virtually wholesale across the Elbe, burdened the east with an overly complex framework which even westerners think needs reforming. "You could not have built up western Germany [after 1945] with the highly sophisticated system which had evolved by 1990," says Kurt Biedenkopf, Saxony's minister-president. By extension, it will be hard to build up eastern Germany.

German elections

Western-based trade unions eager to ensure the east was not turned into a cheap labour zone won pay settlements which drove up labour costs and undermined productivity. And with the ending of a post-unification building boom, the economy is stalling. In the early and mid-1990s east Germany recorded growth rates ahead of those in the west. Since 1997 that has been reversed.

Antipathy towards the west has found a voice in extremist parties which suggest that east Germany should roll back many of its recent developments

Having been enthusiastic converts to the western system, many easterners are now zealous malcontents. "If easterners compared themselves to people in central and eastern Europe who also lived under communism, then unification was good for them. But they don't. They compare themselves with the west and feel poorer," says Mr Schröder.

Their resentment has provided powerful ammunition for parties such as the former communist Party of Democratic Socialism (PDS) which casts itself as the defender of eastern interests. The party is represented in the Bundestag, the federal parliament, and is strong in all eastern state parliaments.

Far-right parties such as the German Peoples' Union (DVU) have capitalised on economic insecurity, social malaise and racism. In April the DVU scored 13 per cent in state elections in Saxony-Anhalt. The party, or other far-right groups, stands a chance of scoring a similar success in elections, also on September 27, in the northern state of Mecklenburg-Vorpommern.

While the PDS and the DVU sit at opposite ends of the spectrum, both call for a new political and economic settlement on the grounds that the market economy has failed to deliver.

Yet there is a case for arguing that east Germany is doing better than grim figures suggest. Productivity is rising and in greenfield sites, such as the automotive industry in the south-east or the information technology sector in Saxony, is already at western levels. Economic realities have prompted local politicians and labour leaders to be flexible when it comes to work agreements and red tape.

Business leaders such as Hans Olaf Henkel, head of the Confederation of German Industry, point to east Germany as a model for the rest of the country. Companies such as Dow Chemical of the US, encouraged by substantial government subsidies, enthuse about the minimal hassle when building a pipeline to a new manufacturing facility. "To build a pipeline in under two years is unheard of western Europe. Here we did it in less than that," says Yves Bobillier, president of Dow Europe.

Easterners have learnt to be flexible. Less than one-third of the workforce is in the same job as at the time of unification. Add to that the transformation of almost every aspect of daily life, and one begins to comprehend why many in the region feel the east has made greater advances than the west. "It is sad that we have not transferred to the west our willingness to change," says Willi Polte, mayor of the eastern city of Magdeburg.

Rüdiger Pohl, head of the eastern-based Halle Institute of Economic Research, says the problem is one of perception. "People who grew up thinking in terms of heavy industrial companies employing tens of thousands often do not register the success of medium-sized companies making, say, bakery products."

For Mr Kohl that viewpoint may prove fatal. Opinion polls show support for the CDU in the east down to 29 per cent, almost 10 percentage points less than the party's 1994 election result. In addition, there is the drift to the extremes.

On paper the far right, with its thuggish supporters, looks a more worrying prospect. But none of the rightist parties are likely to transform strength in the east into a national presence. In fact, the PDS could have the greatest impact. The party stands a chance of getting 5 per cent of the national vote or at least three direct constituency seats – the two criteria for entering parliament – on account of its support in the east.

If it succeeds, the complex arithmetic of German electoral politics could give the PDS the balance of power. With the CDU and SPD committed to shunning the PDS at national level, the result could be a grand coalition between the two major parties. This would not include Mr Kohl, who has ruled out serving in such a government.

For the Mr Kohl, therefore, the bitter irony could be that just as the "flourishing landscapes" he promised easterners in 1990 are coming into view in places like Blankenfelde, the "chancellor of unification" may be evicted from office by disgruntled east Germans.

COMMENT & ANALYSIS

FINANCIAL TIMES

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Wednesday September 23 1998

Time to decide

When the American people elected Bill Clinton, they knew what they were getting. His videotaped grand jury testimony merely demonstrates the president's striking consistency of strengths and flaws. Congress now knows what there is to know in this affair; it is time to move to judgment.

Mr Clinton is a man who easily succumbs to sexual temptation. He is prone to self-pity, and excuses his own actions in words which are at best evasive and at worst dishonest. In the process, he pays too little heed to the obligations of his office and oaths. He believes himself sufficiently adept with words and charm to outwit his opponents, and in the short run he is often right.

In the long run, however, he cannot escape the consequences of his actions. It is for Congress to decide on those consequences. On the face of it, Mr Clinton's behaviour does not seem to be one of the "high crimes and misdemeanours" to which impeachment applies.

Historically, as the house judiciary committee said in considering the case against Richard Nixon in the Watergate affair, impeachment has "involved issues of state going to the heart of the constitutional division of executive and legislative power". Mr Clinton's behaviour – which is only peripherally related to the performance of his presidential duties – does not fit this bill.

But, as Alexander Hamilton, one of the founding fathers of the republic, observed, impeachable offences "are of a nature which may with peculiar propriety be denominated political, as they relate chiefly to injuries done immediately to the society itself". It is for the House of Representatives, which drafts the articles of impeachment, to make such an essentially political judgment.

Though the house's discretion is legally unfettered, its responsibilities to the American people are not. In particular, it owes the voters a sober, bipartisan and speedy examination of the case. On these criteria, the house, with its Republican majority, does not seem to be serving its citizens well.

The circus of the last few days – the release of the Clinton videotape, the thousands of pages of egregious documentation, the party posturing – has taken the affair little further forward. It is time for the house judiciary committee to reach a speedy decision on whether to recommend impeachment; and for the full house and the Senate to move rapidly ahead thereafter. With determination, this process can be completed in a matter of weeks. Congress owes it to the American people and the wider international community to proceed soberly, impartially – but above all promptly.

Euro confusion

The International Monetary Fund, its own role under attack, this week highlighted the weaknesses of another institution, the European Central Bank. Europe's single currency has no proper framework for crisis management, it said, and the ECB would not be ready to handle a large-scale financial crisis. The criticism is timely.

The Maastricht treaty envisaged a neat separation of responsibility between the ECB, which would handle monetary policy, and the national authorities, which would continue to conduct financial supervision. These two roles overlap, though, in the event of a banking crisis, since an injection of central bank money to avert a liquidity crunch amounts to an increase in the money supply. Post-Emu, the ECB, solely responsible for monetary policy, will not allow central banks to manipulate the money supply through such central bank activities. National central banks will therefore be unable to act as lenders of last resort.

It will still be possible to deal with small-scale banking problems at national level without resorting to central bank money creation. Other methods are available, such as pressure on sound banks to buy assets from the problem bank, or a bailout funded by taxpayers' money.

But if there were a more widespread loss of confidence in a banking system, such measures would be useless. Only a direct injection of liquidity could be effective.

With national central banks unable to act without ECB approval, the inescapable conclusion is that the ECB must have the capability of acting as a lender of last resort, even if this is only used in the most extreme circumstances.

With this capability must go a set of rules and lines of communication that can be followed in the event of a crisis, since the ability to act quickly is vital. A crisis management role for the ECB may also require better information sharing agreements with national central banks.

This issue is particularly pressing because the risks of financial system instability are higher now than they have been for some time. The international financial system is in a fragile state. And monetary union will create its own set of risks. As well as the macroeconomic adjustments, the single currency will transform the banking sector, intensifying competitive pressures, and sparking a process of consolidation.

The ECB has been rightly reluctant to interfere with any aspect of banking supervision. But it cannot ignore its role in maintaining Europe's financial stability. The current ambiguous situation should be resolved before Emu begins.

Lesotho's crisis

If members of the Southern African Development Community (SADC) pursued their economic objectives with the same enthusiasm they now display for military intervention, the region might be in better shape than it is today.

Yesterday's despatch of troops from South Africa and Botswana to Lesotho in support of the embattled government of Pakalitha Mosisili, the prime minister, is the second such deployment in the name of SADC in two months. Judging by the fighting and looting that has followed, Pretoria has precipitated a crisis which it meant to pre-empt.

It should have known better. In the case of the Democratic Republic of Congo (formerly Zaire), it was Zimbabwe and Angola that led the way, responding to an appeal by Laurent Kabila, Democratic Congo's president. South Africa refused to send its soldiers, rightly fearing that it would be sucked into a conflict which requires an internationally co-ordinated diplomatic initiative.

Pretoria would have been wise to exercise similar caution when Lesotho's prime minister, facing an army mutiny and growing opposition protests, called for help. Though tiny by comparison with Congo, its troubled post-independence history should make it clear that there is no quick solution – least of all a military one – to its political problems.

An annulled election in 1970, followed by two coups, meant that it was not until 1993 that Lesotho was able to hold free and fair elections, only for the prime minister to be deposed in a row within the ruling party early this year.

The poll that followed in May served to underline the weakness of the electoral system. Although the opposition parties won 40 per cent of the vote, under the "first past the post" system, Mr Mosisili and the Lesotho Congress for Democracy Party won 79 of the 80 seats at stake.

Resentment has been growing ever since, reinforced by an independent election commission's report last week which expressed "serious concerns" about the voting, although stopping short of calling for the poll be invalidated.

As opposition leaders in South Africa have argued, there is no evidence that peaceful ways of resolving the dispute had been exhausted. Keeping beleaguered governments in power is one thing: finding a solution to their problems is another.

Instead of sending in troops, Pretoria should have continued to press for a negotiated solution, at the heart of which must be fresh elections under an electoral system which gives opposition parties a fairer share of parliamentary seats. Instead post-apartheid South Africa's first major military intervention has got off to a disastrous start.

Slow-motion lynching

Bill Clinton has survived his ordeal by video. But, argues **Gerard Baker**, Republicans may prefer a drawn-out and excruciating contest to ending the impeachment process quickly

To his enemies the videotape was to have put a noose round President Bill Clinton's neck by providing irrefutable evidence that he had lied under oath and obstructed justice. By revealing a man twisting and weaving his way through the straight questioning of his prosecutors, the tape would prove to be as damning of Mr Clinton as were the Watergate audiotapes whose release in April 1974 finished the presidency of Richard Nixon a few months later.

Before the event, Democrats on Capitol Hill added to the sense of presidential jeopardy by doing all they could to block the testimony's public airing. They attacked the decision to broadcast it as a partisan action that, they argued, would compromise attempts at an impartial consideration of the case for impeachment.

They need not have worried. Monday's extraordinary broadcast of more than four hours of Mr Clinton's grand jury testimony in the Monica Lewinsky investigation seems to have been less of a smoking gun and more of a toy pistol. Sure enough the president seemed evasive and uncertain at times. He rarely gave a straight answer to a question. One television network estimated he claimed memory lapses on important questions no fewer than 148 times – an average of one every one and a half minutes.

But the overall impression of the broadcast – or, to be precise, of the highlights shown on national television – was of a president that most Americans seemed to find more sympathetic than anyone had expected. The widely forecast flashes of guilt-concealing anger were nowhere to be seen. Instead he maintained a studied dignity throughout. The fears of his supporters that he would be sullied by being seen publicly discussing explicit sexual details were allayed by his agile avoidance of any direct references to sexual activity.

And even the rare moments of irritation seemed born of a genuine frustration at what he called "trick questions" by prosecutors, or of an understandable outrage at the efforts of his political enemies to trap him in the Paula Jones sexual harassment case – the lawsuit, subsequently dismissed, that gave rise to the Lewinsky investigation.

The whole event seems in fact to have left Americans largely unmoved. The first opinion polls yesterday showed increases in Mr Clinton's approval ratings: according to one poll by USA Today, CNN and Gallup, 68 per cent of respondents approved of Mr Clinton's performance as president – up from 60 per cent last week. Voters saying he should be impeached or should resign remain in the minority. If the aim of releasing the video was to embarrass the president into resignation, it has failed, at least at the first attempt.

And there is reason to believe that the drip-drip of evidence into the public domain may now start to help the president. The Starr report itself, published two weeks ago, the president's testimony, and the 3,100 pages of other supporting evidence released yesterday seem to have been the burden of Mr Starr's case. All the material produced so far represents largely unchallenged accusations from the independent prosecutor that president lied, obstructed justice, tampered with witnesses and abused his power.

Mr Clinton's lawyers have had no chance to cross-examine any witnesses nor to produce their own witnesses who might have exculpatory evidence. The White House yesterday pointed out that buried among Mr Starr's evidence was material helpful to the president. Transcripts show, for example, that Ms Lewinsky volunteered to the grand jury that no one had ever asked her to lie.

Is Mr Clinton, then, about to break free of his chains? In spite of the positive reception his testimony seems to have been given this week, the answer is No.

Republicans, who despise Mr Clinton, have no intention of being sidelined by opinion polls

The reason is that the complex process of investigation and impeachment is now firmly in the political arena, and specifically in the hands of a Republican-controlled Congress. The process is being driven by two separate groups of Republicans – a zealous, conservative infantry, and a more thoughtful, strategically directed leadership. For the present, for all the public reluctance to have Mr Clinton impeached, the motivations of both groups propel them in the same direction: on with the impeachment process.

Conservative Republicans, who have long despised Mr Clinton, his wife and allies, have no intention of being sidelined by opinion polls. The Starr report has handed them their opportunity. And they are, to Mr Clinton's misfortune, heavily represented in the House of Representatives' judiciary committee, where the initial impeachment proceedings are taking place. The reaction to Mr Clinton's broadcast testimony of one conservative member of the committee, Bob Barr of Georgia, was typical: "No reasonable person could conclude that the president did not knowingly lie . . . This is a classic case of perjury," he said.

But Republican leaders in congress, especially Newt Gingrich, the Speaker of the House of Representatives, and Trent Lott, the majority leader in the Senate, see the impeachment process in rather broader political terms.

While they may partly share the visceral dislike of Mr Clinton that their more aggressive colleagues feel, the real opportunity they see in the impeachment debate is not the removal of the president, but a tectonic shift in American politics that could leave the Republicans in the political ascendant for many years.

On November 3, Americans will choose a new Congress. Republicans are defending majorities of 21 seats in the 435-member House of Representatives and a 10-seat majority in the 100-member senate. Two months ago the indications were that those figures would not change much. But now, candidates for both parties are reporting a sharp swing towards the Republicans at grass-roots levels.

Democrats are worried about a possible mass desertion by their supporters, disillusioned by the tawdry nature of the Clinton-Lewinsky affair. The outcome, Republican pollsters say, could be big gains – of perhaps 20 seats in the House and five in the Senate. If that happens, this year's election could come to be seen as a watershed, even more than the mid-term landslide of 1994. It could give the Republicans the kind of lock on both chambers the Democrats enjoyed for a generation between 1954 and 1980.

One clear effect of the Lewinsky affair seems to have been the disillusionment of Democratic voters

Republican leaders have watched, fascinated, as the events of the past month, beginning with Mr Clinton's grand jury testimony and continuing with the publication of the Starr report and its aftermath, have left Democrats aghast at their electoral prospects. Just when Republicans seemed to be losing many of the big domestic policy arguments – over health care reform, campaign finance, tobacco taxes and education – the Lewinsky affair has transformed their prospects.

The best bet for Republicans, many strategists believe, is not a quick end to the Clinton impeachment process one way or the other, but the continuation of the long, excruciating ordeal for the president, at least until the elections.

The electoral opportunity the Republicans seem to face throws up one obvious question: how is that polls suggest continuing support for the president to stay in office, but Democrats are reporting defections that could cost them heavily in November's elections?

The answer is twofold. Firstly voters are not telling pollsters that they approve of the president's behaviour; in fact, they are saying the opposite: they strongly dislike it. There seems to be a desire to punish Mr Clinton in some way, without forcing him out of office.

The second factor concerns turnout. When voter turnout falls, the Democrats tend to be the losers. For socio-economic and political reasons, Republicans tend to be more assiduous voters than Democrats. One clear effect of the Lewinsky affair seems to have been the disillusionment of Democratic voters and politicians are expecting turnout overall to be much lower than usual. That should benefit the Republicans.

In short, the principal unintended consequence of several more weeks and months of an impeachment process could be a significant political realignment.

But the Republican leadership knows it has to act with caution. The more moderate members of the party nurse lingering concerns of a voter backlash if it is seen to be pressing too energetically ahead with impeachment. That is why Mr Gingrich and Mr Lott have both adopted a public stance of statesmanlike hauteur towards the Lewinsky matter.

"The whole thing is demeaning for the country," Mr Lott said yesterday, carefully blaming Mr Clinton for allowing the controversy to drag on. "It's just sad. I don't know of any other way to describe it," he added.

If the Republican strategy succeeds, it would result in the ultimate political irony. Having supported his performance as president for the past few weeks, voters would be venting their distaste for what they see as Mr Clinton's personal failings on the Democratic members of congress who have done their best to distance themselves from him.

That is why the November elections represent the next crucial phase in Mr Clinton's battle for survival. If Democrats lose heavily in November, whatever the opinion polls suggest, it will come to be seen as a referendum on the president. Mr Clinton will face renewed pressure, mostly from members of his own party.

Many Democrats in Congress already hold Mr Clinton responsible for the fact that the party lost its majorities in both houses in 1994. If his own weaknesses inflict massive damage on them in 1998, it may be Democrats, and not zealous Republicans, who take up the calls for his departure.

OBSERVER

Royals flushed from euro

Once again, the British have learned the hard way: if you're not in the club, you can't set the rules.

British ministers were so keen to make sure the Queen's head would go on the British-issued euro banknotes – if there ever were such things – that they persuaded their European Union colleagues to agree that 20 per cent of the folding stuff should be kept free for "national features".

But this has been overridden by the European Central Bank's governing council, of which the UK isn't a member. So the British might have to be content with putting the Queen's head on the coins, which are minted nationally – or maybe it will be the King's head by that time.

However the the Treasury was doggedly insisting yesterday that the monarch's visage on banknotes would be an option at the Bank of England's discretion if the euro ever arrived in London.

The official line from the ECB is that allowing a different euro banknote design for each of the 11 euro member states would confuse the public and encourage counterfeiters. Far better to stick to one design.

The ECB will have to do better than that if it wants to win over sceptical Brits. The UK's four constituent nations and surrounding tax haven islands have 11 different issuers of sterling banknotes – the same number the ECB thinks would overload its sensitive citizens.

Discord

Another of those seemingly computer-generated corporate names is upon us. After Fortis, Novartis and the like comes Acordis – Akzo Nobel's moniker for the fibres operation it hopes to divest itself of soon.

The cod-classical nomenclature at least embodies the initials of Akzo and Courtaulds, the UK producer taken over by the Dutch group this summer. For the rest, the company couldn't say what it meant, though a search had made sure it didn't convey anything "unacceptable" in any world language.

But offence has been taken on Akzo's doorstep. An Amsterdam-quoted engineering consultancy called Arcadis is mulling legal steps to prevent the use of a name so similar to its own. Arcadis was called Heidemij until last year, when it decided that its international expansion was being hampered by a name that only the Dutch could pronounce.

The main danger of confusion could arise if Acordis also found itself with an Amsterdam bourse listing. This is one option, but yesterday Akzo said reassuringly that "all factors that could create problems as regards the new name have been considered". So look out for a trade sale or management buy-out.

Home run

Flushed with his (partial) success in throwing money into the stock market, Donald Tsang, Hong Kong's financial secretary has turned his attention to the equally ailing property sector. He has bought an apartment in the plush Mid-levels district at a knock-down price.

Sentiment played a part in his decision: the flat was once owned by his late father. He certainly doesn't need the space – more than ample accommodation comes with his job.

Some suggest that it could be a retirement pad – or even an investment. Hong Kong used to have a word for people who bought flats they did not live in: speculators. This word has been in common currency in recent weeks – Tsang himself uses it a lot: his foray into the stock market was triggered by a desire to stamp out speculators.

Latterly, Tsang has changed the semantics, and "speculators" have become "manipulators". In the equity markets, at least.

Cabinet crush

Raghuraj Pratap Singh, the programme implementation minister in Uttar Pradesh, hasn't signed off a single project in his year in office.

That's about as busy as it gets for a lot of his ministerial colleagues. Stitching together a ruling coalition after last year's elections meant satisfying so many small parties that India's most populous state ended up with one of the world's most populous cabinets – there are 93 ministers.

"We are ministers in name only," says dairy development minister Sunder Singh Baghel, while junior tourism minister Lalu Singh Chauhan complains that his boss keeps all the work for himself "despite my repeated requests". Chief Minister Kalyan Singh admits that some ministers may be idle "but I'll look into it and streamline work distribution soon".

Too soon for some, perhaps. "We get official cars, bungalows and other perks," says science and technology junior minister Satish Sharma. "So what if there is no work now?" That's the spirit.

Thanks, but . .

Nigerian leader Abdulsalami Abubakar is due in Washington today to talk about external debt relief. The US State Department, it seems, has been keen for him to meet Bill Clinton, but the Nigerians are said to be having last-minute doubts. Might not help the military dictator's international image.

The Financial Times

100 years ago

Coup d'Etat in China

Shanghai, 22nd September. A rumour is current to-day that the Emperor of China is dead. No details are given. It is stated that the gates of Peking are closed.

Peking, 22nd September. The rumours as to the Emperor having resigned in favour of the Dowager Empress are confirmed in an edict issued to-day. The Emperor's Chief Adviser has fled. It is expected that Li Hung Chang will now be reinstated.

50 years ago

America in Europe

The apprehensive preoccupation of Americans with the European political situation, and with Berlin as its storm-centre, continues to find its most obvious reflection in the erratic and indecisive course of the New York stock market. Many observers agree that improved relations between Russia and the Western Powers would bring an immediate and vigorous response from Wall Street. The caution of Wall Street is symptomatic of a widespread realisation in America that the widening rift between East and West may soon impose even heavier obligations on America.

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THE LEX COLUMN

Crude plan

From Brent crude to bent crude? That 20 of the world's top oil executives have cleared their diaries to attend a two-day strategy conference smacks of a cartel. Naturally, the suggestion that this meeting could be used to thrash out support for the ailing oil price is vehemently denied by all concerned. But such price fixing arrangements are hardly going to be on the formal agenda. And the oil industry, after all, is home to one of the world's most established cartels: the Organisation of Petroleum Exporting Countries.

Ironically, Opec's recent failure to shore up the price of oil furnishes a rather good argument for not bothering with price fixing – even a cartel is no match for a fundamental imbalance of supply and demand. Also, help may be at hand from even more basic forces. Hurricanes have closed several western refineries, helping to run down stocks. And fears that the western winter will be harsh have allowed oil prices to creep back above $15 per barrel in the US and above $14 in the UK.

But the oil bosses will not be short of other things to chat about. Following the BP Amoco merger and Royal Dutch/Shell's profit warning, restructuring and consolidation is on everyone's lips. This conference may do nothing for oil prices in the short term, but if it sows the seeds for future mergers it will have more than achieved its aim.

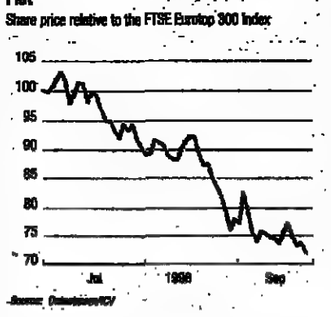
European carmakers

Despite forecasts of record-breaking car sales in 1998, shares in Europe's carmakers have plunged. Fiat and BMW have led the pack downwards, both underperforming the FTSE Eurotop 300 index by nearly 30 per cent in the last three months. Only Daimler-Benz has outperformed, largely on hopes of savings from its merger with Chrysler. Otherwise, the economic fall-out from emerging markets and the slower growth predicted for the high-margin UK market has led to radical pruning of earnings forecasts.

Yesterday's first-half results from Fiat, with operating profits down 28 per cent, show how its forays in Russia and Brazil have suffered from the financial turmoil. And in Europe persistent pricing pressures and aggressive Asian exporting have cut margins to the bone. Its car division showed a return on sales down to just 0.4 per cent, against 3 per cent the previous year. In the absence of renewed government incentive schemes for new car buyers in Italy, Fiat is right to expect a grim second half.

Those – like BMW (which includes Rover) – with substantial exposure to the slowing UK economy will find earnings growth hard-going. But healthy demand and a favourable replacement cycle in the rest of continental Europe, which has benefited the French carmakers, should offer solid support. However, this may postpone the capacity-reducing consolidation that the sector's shareholders must crave.

Fiat
Share price relative to the FTSE Eurotop 300 Index



Source: Datastream/ICV

Swisscom

How can one proceed with a $6bn share offering in current market conditions? If the stock being sold is a European telecommunications operator is the answer. True, the Swiss government has scaled back its offering of Swisscom shares. But unlike telecoms equipment manufacturers, which are heavily exposed to troubled emerging markets, most operators have relatively secure domestic earnings streams. Indeed, telecoms services stocks have held up so well that another slug of France Telecom shares will probably be offloaded on to the market before Christmas – in the process, pipping Swisscom to the post as largest European offer of the year.

The Swisscom story itself is fairly run of the mill. On the plus side, new management is taking an axe to the bloated cost base in preparation for partial privatisation. Swisscom also benefits from a proportionately larger mobile business than most of its peers. On the minus side, it is extremely reliant on high-margin international calls. As competition gathers pace, these profits will be squeezed.

That said, the shares look cheap assuming they are sold within the indicative valuation range. Next year's price/earnings multiple would be 13-15 compared with nearer 20 for its peers. The virtually simultaneous France Telecom offering could lead to some investor indigestion. But add in the attraction of a dividend yield of 3-4 per cent – more than 10-year Swiss government bonds – and the shares are worth buying.

Tesco

Tesco's halo has had a ragged appearance of late. When it led the pack with profits downgrades in the summer, the share was quickly punished. Its main competitor, J. Sainsbury, has shown a clean pair of heels in recent months. Subsequent profit downgrades for all the main food retailers showed Tesco was not suffering alone. And yesterday's news of 2½ per cent like-for-like sales growth confirms that the bottom has not dropped out; this is broadly in line with its superstore peers.

The snag is that investors have come to expect better. Perhaps some marketing tricks will perk up sales, but with Sainsbury apparently purged of its own-goal habit, the performance gulf will not easily be repeated. If there is consolation, Tesco's value strategy chimes nicely with a slowing economy – though competitors have recently shown they are happy to beat the same drum.

Tesco will not need to be told that it neglects its backyard at its peril. New stores in central Europe and Thailand may sound good, but they have still to make money. That said, Tesco's next step is clearly to establish itself as a credible global retailer. There are encouraging signs of progress, but profits will need to start flowing for the stock to start outperforming its peers again. The interim period may well be fairly subdued, especially in the UK. Even so, there are not many better places to find refuge from stormy markets.

Committee set to vote for Clinton scandal hearings

President likely to face impeachment inquiries despite polls

By Richard Wolffe in Washington

Congressmen investigating the Starr report's allegations against President Bill Clinton appear likely to vote to begin impeachment inquiries next month in spite of indications that public support for such a move is falling.

A Gallup poll published yesterday revealed Mr Clinton's approval ratings rose from 60 to 66 per cent on Monday, following the unprecedented four-hour broadcast of his evidence before the Starr inquiry.

His disapproval figures fell from 34 to 31 per cent and the proportion in favour of impeachment fell from 35 to 32 per cent, although 39 per cent – almost unchanged – said he should resign.

Staff on the House of Representatives judiciary committee said committee members – both Republicans and some Democrats – were "leaning towards" holding further inquiries into impeachment after the remaining 16 boxes of evidence uncovered by the inquiry into the Monica Lewinsky affair have been released.

Mr Clinton is accused of 11 impeachable actions, including lying under oath on several occasions in an attempt to cover up his 18-month affair with Ms Lewinsky.

The president is also accused of seeking to obstruct justice and tamper with the evidence of witnesses, including Betty Currie, his personal secretary.

Committee members say they have not decided whether to request formal impeachment hearings, but Republicans appear to want further inquiries.

Charles Canady, a Republican committee member, said: "I think we are looking at serious evidence that points to a conclusion the president may have committed perjury before the grand jury."

Trent Lott, the Republican leader in the Senate, yesterday urged Mr Clinton to answer questions on his conduct before Congress, but indicated that would probably not resolve the issue of any illegal conduct.

"Any time the president comes forward and comes clean in a formal setting... it would probably be a positive development," Mr Lott said. "The whole thing is demeaning for the country."

Impeachment hearings would only begin with the backing of the full House of Representatives, and are likely to be fiercely opposed by several Democrats on the judiciary committee.

Committee members are reviewing the unpublished evidence with the aim of releasing it in less than a week. Only two boxes of evidence including more than 3,000 pages published on Monday, have been viewed by the public.

The White House yesterday repeated attacks on Republican congressmen for releasing evidence "to embarrass the president".

Meanwhile, Mr Clinton yesterday met Keizo Obuchi, the Japanese prime minister, at the United Nations to discuss the ailing Japanese economy. He acknowledged Mr Obuchi could only achieve what was "politically possible" to reform Japan's banking system.

Editorial Comment, Observer and Slow-motion lynching, Page 17

France plans reserve fund to cope with pensions shortfall

By Robert Graham in Paris

France's Socialist-led government is to set up a special reserve fund in 1999 to cope with the expected surge in demands on the state-run pensions scheme early next century.

A report is due early next year on the problems of dealing with France's pension overhang. But the plan for a special fund – announced yesterday by Martine Aubry, the employment and social services minister signals the government's resolve to avoid adding to the already high pension contributions paid by employers and employees.

The total annual contribution to the new reserve fund is expected to be more than FFr10bn ($1.65bn). Dominique Strauss-Kahn, finance minister, said the fund would have "several tens of billion francs [at its disposal] between 2005 and 2010" – the crucial period when France's "baby boomers", born in the decade or so after 1945, begin to retire. The fund will be started with FFr2bn found from surpluses from the old-age solidarity fund. This was set up in 1993 to help the ageing jobless. However, as soon as the reform of the country's savings banks is under way next year, part of their profits – about FFr4bn-FFr6bn a year – will be set aside for the fund. Mr Strauss-Kahn also said that, from 2000, money from privatisation receipts could be made available. Next year's net receipts are expected to reach FFr17.5bn.

The idea of such a pension reserve was first raised in 1992 by Pierre Bérégovoy, the then Socialist premier. Yesterday officials insisted the initiative could not in itself cover the expected pension deficit. However, they said it was a political gesture by Mr Jospin which underlined the importance of alerting public opinion to the pension problem.

The government also announced next year's pensions would continue to be pegged to inflation, not to wage rises. This practice, begun in 1993, was due to end this year.

Ms Aubry further promised to bring the social security budget into balance in 1999 for the first time in 15 years. Apart from tighter management, the minister said doctors and pharmacists would be penalised if they failed to honour their budgeted prescription costs.

On the more general issue of social security contributions, Ms Aubry indicated the government was still far from a decision on how to reform the current regime. It imposes high costs on employers, penalising job creation.

Any change, especially cutting employer contributions for unskilled low-paid jobs, is likely to wait until the government fleshes out the details next year of how the 35-hour week will be introduced from the year 2000.

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Bicycles by the score in Paris, where cars were restricted as part of a one-day experiment in 35 French cities. Page 3 Reuters

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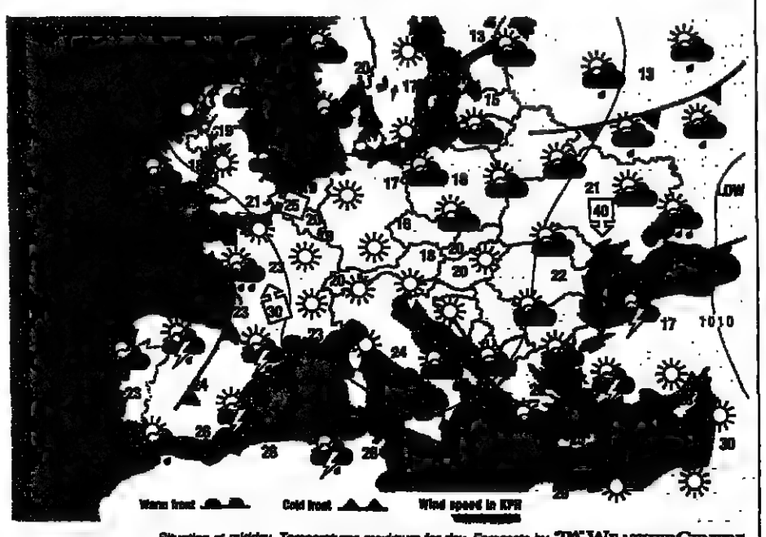
FT WEATHER GUIDE

Europe today

Most of western, central and eastern Europe will be settled with morning fog clearing to sunshine. Southern Norway and Sweden will be dry with sunny spells, but the northern mountains and fjords will have more cloud with outbreaks of rain. Finland will be cool with sunny spells in the south but northern areas and north-western Russia will have sunshine and showers. Northern and western Turkey, western areas of the Mediterranean and much of Spain will be unsettled with showers.

Five-day forecast

Cold conditions will spread across northern and eastern Scandinavia from Thursday, bringing the chance of some wintry showers in the north. The western Mediterranean will remain unsettled with thunderstorms until the weekend. The rest of Europe will continue mainly fine, but it will become unsettled from the west.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius																	
			Barcelona	Rain	22	Cairo	Sun	31	Faro	Fair	24	Madrid	Thunder	24	Reykjavik	Rain	13
			Beijing	Sun	27	Caracas	Thunder	31	Frankfurt	Fair	18	Majorca	Thunder	26	Rio	Fair	24
			Belfast	Fair	18	Cardiff	Fair	20	Geneva	Sun	20	Malta	Thunder	26	Rome	Fair	24
Abu Dhabi	Sun		Belgrade	Fair	22	Casablanca	Fair	25	Gibraltar	Shower	24	Manchester	Fair	20	S. Paulo	Fair	22
Accra	Fair	29	Berlin	Fair	17	Chicago	Sun	20	Glasgow	Fair	19	Manila	Shower	31	Seoul	Fair	27
Algiers	Thunder	26	Bermuda	Cloudy	30	Cologne	Fair	19	Hamburg	Fair	18	Melbourne	Shower	16	Singapore	Thunder	32
Amsterdam	Sun	19	Bogota	Cloudy	20	Dakar	Fair	32	Helsinki	Fair	13	Mexico City	Shower	26	Stockholm	Fair	17
Athens	Fair	26	Bombay	Fair	31	Dallas	Thunder	32	Hong Kong	Sun	31	Miami	Shower	32	Strasbourg	Fair	19
Atlanta	Fair	30	Brussels	Fair	20	Delhi	Cloudy	29	Honolulu	Fair	31	Milan	Fair	24	Sydney	Fair	25
B. Aires	Shower	16	Budapest	Sun	20	Dubai	Sun	38	Istanbul	Shower	21	Montreal	Fair	14	Tangier	Shower	25
B.ham	Fair	19	C.hagen	Fair	17	Dublin	Fair	18	Jakarta	Fair	33	Moscow	Shower	13	Tel Aviv	Sun	30
Bangkok	Thunder	32				Dubrovnik	Sun	23	Jersey	Fair	22	Munich	Fair	17	Tokyo	Shower	28
						Edinburgh	Cloudy	17	Johannesburg	Sun	27	Nairobi	Cloudy	26	Toronto	Fair	15
									Karachi	Sun	36	Naples	Fair	24	Vancouver	Fair	72
									Kuwait	Sun	44	Nassau	Fair	32	Venice	Sun	23
									L.Angeles	Fair	24	New York	Fair	20	Vienna	Sun	16
									Las Palmas	Fair	26	Nice	Sun	24	Warsaw	Fair	17
									Lima	Cloudy	20	Nicosia	Sun	28	Washington	Sun	27
									Lisbon	Fair	25	Oslo	Fair	20	Wellington	Fair	14
									London	Fair	21	Paris	Sun	23	Winnipeg	Rain	20
									Luxbourg	Fair	19	Perth	Shower	18	Zurich	Fair	17
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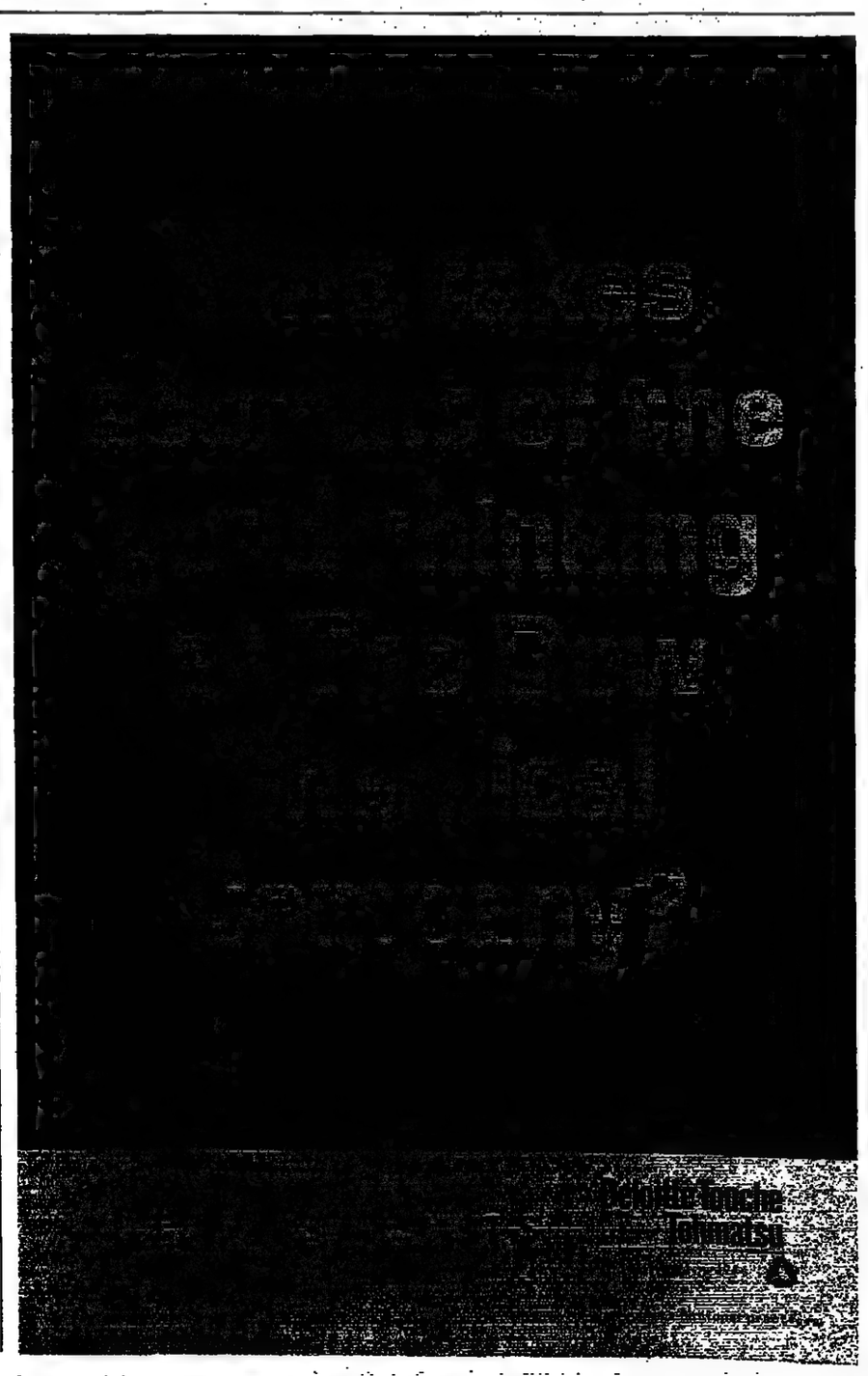

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FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Profits loss at Goldman Sachs causes fears for public offer

Goldman Sachs, the US investment bank, posted a fall in third-quarter profits, causing speculation that market weakness may force it to postpone its forthcoming initial public offering of 10-15 per cent of the firm. **Page 21**

Tesco posts sales growth slowdown

Tesco, the UK's biggest supermarket group, posted interim pre-tax profits up 6 per cent to £371m ($612m). However, comparable sales in the first five weeks of the second half were 2.5 per cent ahead, down from 8 per cent in the same period last year. **Page 23; Lex, Page 18**

Christiana pulls off unlikely merger

When Norway's Christiana Bank agreed last week to merge with Fokus Bank, Norway's fourth largest, and with state-owned Postbanken, Tom Ruud (left), Christiana chief executive, achieved the impossible. The Norwegian financial industry seemed unable to follow the global trend for banking sector consolidation. Previous attempts at such tie-ups were resisted by shareholders, directors or political powers. **Page 22**

Gutierrez may boost Kellogg

The sudden departure of two top executives from Kellogg, the US breakfast cereal group, will boost shareholders' hopes that Carlos Gutierrez, the company's new head, can reverse Kellogg's flagging performance. **Page 21**

Movicom faces fresh challenges

Argentina's Movicom has a 60 per cent stake in the domestic cellular phone market. However, it may be facing a challenge. It is competing for a licence to provide nationwide basic telephony and a long-distance service from November 1999 as part of state deregulation. **Page 21**

Investors in Turkey blame Yilmaz

The latest scapegoat for Turkey's investors, keen to explain the rocky time they have had since Russia's de facto devaluation of the rouble last month, is Prime Minister Mesut Yilmaz (left). On Friday, hopes that he would postpone a bitterly resented capital gains tax led to a 17 per cent jump on the benchmark national-100 index but when full details became known yesterday, it was clear the concessions fell short of expectations. **Emerging Market Focus, Page 38**

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German Woolworth stores to be sold

Venator completes move to speciality retailer

By Richard Tomkins in New York and Graham Bowley in Frankfurt

Venator, the US retailer formerly known as Woolworth, yesterday shed the last vestige of its old name by announcing the sale of its 357 variety stores in Germany for $552m.

The buyer is a management team backed by Electra Fleming, the UK private investor.

The sale marks the end of Venator's transformation to a speciality retailer.

It is now a collection of small stores in a variety of formats including the Foot Locker sports shoe chain and Champs Sports stores.

The company was founded by Frank W. Winfield in 1879 and became one of the world's biggest retailers. But facing rising losses from its outdated general merchandise operations, the company closed its last Woolworth store in the US in 1997, having sold its UK general merchandise stores to Britain's Kingfisher group in 1982.

The sale of the German operations, known as Deutsche Woolworth, represents one of Germany's biggest management buy-outs.

It comes as growing numbers of UK and US based private equity investors are moving into Germany.

Last month, Kohlberg Kravis Roberts, the US private equity investor, acquired the paints group Herberts from the chemical group Hoechst in Germany's largest leveraged buy-out.

The Deutsche Woolworth investment includes equity worth around DM150m ($82.8m) and is backed by a further DM800m in lending by Bayerische Hypo- und Vereinsbank, the Munich-based bank.

Electra Fleming will take a 90 per cent stake and the existing management, led by Manfred Schönmeier, chief executive, is taking the remaining 10 per cent.

Legal & General, the UK investor, was also in the race to acquire Deutsche Woolworth, along with other German-based bidders.

The group made profits last year of DM44.6m on sales of DM2.55bn. Faced with a stagnant retail market, the company has restructured to improve purchasing and logistics and has shifted to some part-time working to cut costs. The company said yesterday it wanted to grow the business by increasing sales and had no plans to cut jobs.

Electra Fleming, which has made other acquisitions in Germany, said it would probably keep its investment for three to seven years and would eventually float the company.

Venator said the sale would would result in after-tax gain of about $16m, or 12 cents a share.

It also announced that it would use some of the $440m net, after-tax proceeds from the sale to buy back $200m worth of its shares.

Eni profits rise by 39%

Italian energy group bucks gloomy industry trends

By Paul Betts in Milan

Eni, Italy's main energy group and the world's seventh-largest oil company, yesterday reported a 39.4 per cent rise in first-half net profits, to L3,650bn ($2.1bn).

The group's L1,000bn rise in profits, on a 6.4 per cent decline in revenues to L28,768bn, went against general oil industry trends, with competitors recently reporting flat or lower earnings.

Even after stripping out special gains totalling L700m, first-half earnings were 18.5 per cent higher than last year's L3,630bn.

But Franco Bernabe, chief executive, warned the second half would "not be as good", although full-year net profits would not be lower than last year's L5,118bn. He said he wanted to speed up rationalisation of downstream refining and marketing operations through a possible alliance. "We are studying different options to make our downstream operations stronger and we hope to conclude a deal next year," Mr Bernabe said.

An alliance similar to the partnership between Royal Dutch/Shell and Texaco appears one option. Analysts believe Eni could team up with the Dutch and US groups.

Eni's performance, at a time when oil prices have collapsed, was attributed to several factors. These included continued strong volume growth in certain parts of the business, including a 4 per cent rise in upstream hydrocarbon production; an improvement in margins, especially in downstream operations because of lower feedstock prices and a decline in corporate taxation in Italy.

Its extensive gas business continued to provide steady profits, but Mr Bernabe said he was not waiting for gas deregulation in Italy to reshape the business to comply with the new rules.

He saw the mainly domestic gas business becoming increasingly regional, with Eni seeking to be leader of the sector in the southern Mediterranean.

On upstream operations, Mr Bernabe said, the company's strong position enabled it to take a longer-term approach. He added that, while the company was "revising and reconsidering" some projects, it was under no pressure to make "hectic cuts". Eni reduced net debt by a further L4,000bn in the first half.

He remained bullish about oil industry fundamentals. "There is a short-term problem of stocks but when stocks are brought back in line with market expectations, oil prices should go back to a reasonable trading range of $16–$18."

Lex, Page 18

Pondering the options: Eni chief executive Franco Bernabe AP

US merger values at lowest for 18 months

By William Lewis in New York

The US mergers and acquisitions industry has hit its lowest period for 18 months, according to Securities Data Company, the mergers and acquisitions data consultancy.

In each of the past three weeks, the value of takeover deals announced in the US has been less than $10bn. The last time such a sequence occurred was in March 1996.

"We have a big contraction under way," Richard Peterson of SDC said yesterday. "Uncertainty in global markets has caused bankers to fumble."

The first three weeks of September have seen the announcement of deals worth a total of less than $20bn. So far this week, agreements worth $3.4bn have been announced. If the end-of-week total fails to hit $10bn, it will represent the slowest period in US M & A since mid 1995.

Over the past two years, the M & A market in the US has boomed, with a record $1,280bn worth of deals announced. Providing advice on M & A has proved one of the highest margin activities for Wall Street investment banks.

For companies, the M & A boom has proved positive. Most takeovers have been all-stock or part-stock and part-cash, helping boost stock prices.

SDC's data show that since the US stock market peaked in mid July there has been a shift towards all-cash deals.

From January 1 to July 17, 18.2 per cent of the deals announced in the US were all-cash. From July 18 to yesterday, 27.8 per cent of all announced deals were all-cash.

The proportion of all-stock deals has fallen from 61.8 per cent in the year to July 17 to 72.2 per cent of the deals announced between July 18 and yesterday.

Yesterday Tyco International became the latest company to announce an all-cash deal. It is paying $460m in cash to takeover Graphic Controls, the disposable medical products manufacturer owned by Bessmer Holdings.

Tyco has completed numerous deals in recent years, often using its own stock. "Graphic Controls is an excellent addition to our growing disposable medical products group," said Dennis Kozlowski, Tyco's chairman and chief executive.

UBS takes control of LTCB joint ventures

By Paul Abrahams in Tokyo and William Hall in Zurich

UBS, the Swiss bank, yesterday acquired controlling stakes in three joint ventures with Long-Term Credit Bank of Japan, effectively ending their alliance.

The move gives UBS, one of the top foreign asset management groups in Japan, a substantial presence in investment banking, and makes it one of the few fully operational private banking operations in the country.

Terms of the deal were not disclosed. UBS also refused to name new partners who will buy 16.7 per cent of the share capital of LTCB Warburg, its Japanese investment banking operation, which will now operate under the Warburg Dillon Read name.

Shares in LTCB, the troubled bank whose fate is being argued over by Liberal Democratic Party and opposition politicians, closed unchanged at Y21. UBS shares in Zurich rose SFr6 to SFr590.

UBS will increase its stakes in the private banking joint venture and the asset management joint-venture from 50 per cent to 100 per cent. The latter has about Y1,900bn ($13.6bn) worth of assets under management and about 180 staff.

UBS will not increase its 50 per cent share in the investment banking joint venture, but, combined with the 16.7 per cent stake of the third party designees, it gives the bank majority control of the business which employs about 900 people. UBS indicated that management changes would occur.

The investment banking joint venture, which began in May with a staff of nearly 1,000 and a proposed capital of Y60bn, is the biggest of the three joint ventures, and the one where UBS has most to lose.

The Swiss bank's elaborate plans for a full alliance with LTCB have unravelled following leaks to the press about liquidity problems at the Japanese institution.

UBS has operated in Japan for 80 years and acted for over 400 corporate clients. But LTCB has a far bigger corporate customer base, which Warburg Dillon Read needs to tap if it wants to become a premier Japanese investment bank.

The Swiss bank's decision not to increase its stake in the investment banking joint venture, and to bring in new partners, reflects an attempt to retain the major benefit of the joint venture without jeopardising its creditworthiness.

UBS stressed that its jointly-owned investment bank will be functionally integrated in UBS for risk, management and operational purposes.

Patching up bank deal, Page 10

BARRY RILEY

Change in tracking terrain

This summer's setback for the US and European stock markets has been the sharpest since the crash of 1987, with Wall Street down some 15 per cent from the July peak and the bigger Continental European markets down 25-30 per cent.

Few fund managers had ridden the long uptrend more successfully than the big index trackers. But will investors be willing to track a choppy market sideways for a protracted period, let alone downwards?

Many index-tracking issues are explored in the report *25 Years of Indexing* by the fund management consultancy team at PricewaterhouseCoopers. It has been produced for the world's biggest index tracker Barclays Global Investors; but the following views are mine.

The world's first tracker fund was launched in 1973 by Wells Fargo (by a division now owned by BGI). Only in the mid-1980s, however, did the idea really catch on.

Now it is estimated that 28 per cent of institutional equity mandates are indexed in the US, and 20 per cent in the UK.

Retail tracker funds have grown fast in the 1990s but remain relatively small, for all the efforts of Vanguard, the leader in US index tracking mutual funds.

Some $70bn of US equity mutual funds are indexed, but this is only about 3 per cent of the total.

Big, efficient stock markets with strong uptrends represent ideal territory for tracker funds.

Over the 10 years from 1988 to 1997 inclusive, the average annual total return on the S&P 500 was 17 per cent. Tracker funds have all but matched this, but active US institutional funds have typically underperformed by 1.2 per cent a year.

In the UK, the underperformance by institutional managers has been only half as great, though this result is probably flattered by survivorship bias: disappointment has been serious enough for investment consultants to be strongly recommending an increase in index fund allocations at the moment.

However, in less favourable conditions the trackers can struggle.

Specialist active managers have beaten the small cap indices in the US and UK by rather more than 2 per cent a year. Actives have surpassed the Tokyo index by a similar margin in the 1990s, an example perhaps of how they can exploit price distortions in an inefficient market.

Claims that active managers outperform during bear markets are in fact only partly justified by the statistics. Yet we can note the dismal fate of HSBC's Tiger Index unit trust, which has lost more than 60 per cent in a year, even more than most similar active Asian regional funds. It has now suffered the indignity of suspension because of Malaysia's capital controls.

In the western markets, however, traditional managers have played into the hands of the trackers: their expenses (not least, salaries and bonuses) have risen steadily during the long bull phase, and the cost of the active funds' "race for information" is plainly out of proportion to the impact on performance.

Eventually, though, the trackers' market share will get large enough to open up new scope for active managers. Already the quarterly review of FTSE 100 constituents provides a regular harvest for active traders: incomers gain 10 per cent in a few weeks before the date of inclusion, while demotees lose 12 per cent (though these changes are partly reversed later).

More seriously, last year's bubble in the UK's retail banks sector may have been largely caused by underweight trackers.

BP's takeover of Amoco, raising its Footsie weighting by a third, now threatens further distortions. Indeed, in the US the long-term torrent of tracker money into large cap stocks could explain much of the 3 per cent annual slippage of the Russell 2000 against the S&P 500 over the past decade.

Bull market momentum effects may have exaggerated the relative appeal of indexation. But active managers must surely cut their costs if they are to mount a successful counterattack any time soon.

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AUSTRALIA OUTGOING CHIEF WARNS OF FURTHER SLIDE IN RESOURCES GROUP'S ASIAN MARKETS

Broken Hill chairman apologises for poor performance

By Gwen Robinson in Melbourne

The chairman of Broken Hill Propriety, the Australian resources group, made an unprecedented apology for the company's poor performance at the annual shareholders' meeting yesterday, and warned of further deterioration in the group's Asian markets.

"Of course I'm sorry for what has happened to this company. I'm sorry for the part that I have played in it – that hasn't worked out well," said Jerry Ellis, the outgoing chairman.

He said he was "personally sorry" for the hardships inflicted on small shareholders by the sharp deterioration in BHP's share price, which has fallen from a high of nearly A$20 early last year to A$12.35 yesterday, plagued by falling commodity prices and internal upheavals.

Shareholder groups in Australia and overseas have demanded Mr Ellis's resignation, following that in April of John Prescott, chief executive, who has yet to be replaced.

Both men have been blamed for dismal profit performance and poor investment decisions in the past two years, which culminated in an unprecedented bottom-line loss of A$1.47bn (US$862m) in the year to May and asset writedowns of A$3bn.

The campaign to oust Mr Ellis diminished following BHP's announcement last month that he would retire during the first half of next year, at least two years ahead of his intended departure.

He will be replaced by Don Argus, chief executive of National Australia Bank and also a member of the BHP board. The appointment of Mr Argus, one of Australia's most successful bankers, lifted BHP's share price temporarily.

Investors also welcomed last week's news that first-quarter net profit fell 1.7 per cent to A$351m in the three months to August – less than feared, due partly to asset sales and cost cuts.

Observers described yesterday's AGM as "angry but restrained". Hopes for news of Mr Prescott's replacement were dashed, with Mr Ellis saying only that BHP was in talks with "a number of candidates" heading large, successful companies, and that he hoped to make an announcement soon.

The duration of the search, being conducted by Heidrick & Struggles of the US, has fuelled uncertainty about BHP's direction. A shortlist is believed to include three Americans.

Among Australian candidates, the frontrunner is Ron McNeilly, BHP chief operating officer and acting chief executive. But analysts said the job was unlikely to go to an internal candidate, as BHP believed it needed an outsider with a fresh image.

At the meeting, Mr Ellis denied speculation of a takeover approach or plans to spin off some divisions into separately listed units. The questions stemmed from reports that Rio Tinto, the Anglo-Australian mining company, had examined the prospect of breaking up BHP with international partners such as British Steel or Royal Dutch Shell.

Big Bang marriage to end in divorce

UBS is cutting links with Japan's LTCB, write **Gillian Tett and Paul Abrahams**

A year ago, Swiss Bank Corporation sent shockwaves through Japan's banking sector by announcing a path-breaking "marriage".

Amid a flurry of excitement about Japan's "Big Bang" deregulation, the Swiss bank concluded a 1 per cent cross-shareholding and three joint ventures with Long Term Credit Bank – at the time, the most far-reaching alliance.

This autumn, though, the Swiss group, – since merged with Union Bank of Switzerland to become UBS – is causing ripples again but this time the talk is of divorce. For as the Japanese government squabbles about the future of the troubled LTCB, UBS and LTCB have moved to dismantle most of the alliance.

The companies yesterday revealed that UBS would acquire 100 per cent of the asset management business, and a 66.67 per cent stake in the investment banking joint-venture. This may be increased over time.

The news came as no surprise to Japan's banking world. Since the government announced in June that it hoped to bail out the LTCB by merging the group with Sumitomo Trust, the relationship with UBS has been under strain.

UBS held talks with Sumitomo Trust in recent weeks about the prospect of a three-way collaboration. But neither side was keen. UBS has been reluctant to become too deeply sucked into the Sumitomo corporate family; and Sumitomo Trust has been equally reluctant to cede influence in a joint venture to UBS, particularly in asset management which the Japanese bank views as its core business.

As a further blow, Sumitomo Trust announced this month that it was planning to collaborate with the US group Alliance Capital in the international asset management.

UBS says the deal provides stability for clients and staff, which is particularly important in the investment banking operations.

The Swiss bank also appears to have pulled off a financial coup. It has not disclosed the cost of its 1 per cent stake in LTCB, but some estimates put it at about Y6.8bn ($51m). True, its stake in LTCB is virtually worthless – the shares have fallen from about Y325 in April when they were purchased to Y21 yesterday. But insiders say the losses, combined with the compensation paid to LTCB for the joint-ventures, are a small price to pay for the three businesses that are already viable in their own rights.

All smiles: Johannes de Grier, of Swiss Bank Corp, and Katsunobu Onogi, of the LTCB, in July 1997 AP

The asset management business, which started this spring, for example, has already raised its assets under management from the Y600bn that UBS managed as a foreign trust bank to Y1,900bn, making it the third largest foreign fund management group in Japan.

The investment banking business has also been steadily expanding, although LTCB's client list has not proved quite as lucrative a source of business pickings as some UBS officials had hoped. As for the private banking side, UBS believes that it is the only fully functioning foreign private bank in Japan.

But the biggest potential problem in the coming weeks will be a public relations one. The LTCB-UBS deal is the first of its kind to unravel since Big Bang. Consequently, the crucial question is whether Japan's financial world will tolerate divorces as easily as it has appeared to accept the marriages over the past year.

It comes as some Japanese bankers are expressing growing unease about the increasingly visible role played by foreign groups in Tokyo. UBS, in other words, might perceive that it has been forced into the move – but in the eyes of some Japanese it may yet be perceived to be abandoning LTCB.

Thus far, at least, UBS appears to have pulled the public relations trick off: in recent weeks it has managed to avoid any criticism from politicians or the media within Japan.

Yesterday's deal will also cast a shadow over other western-Japanese alliances. Travelers, the US group, for example, has a deal with Nikko Securities that could leave it buying up to 25 per cent of the Japanese broker.

None of these deals looks likely to unravel yet. But none of their partners looks immune from similar turmoil. Yesterday's move by UBS and LTCB could set an even more important precedent than the high-profile alliance last year.

Itochu sells 40% of its Time Warner holding

By Michiyo Nakamoto in Tokyo

Itochu, the Japanese trading company, has sold 40 per cent of its stake in Time Warner, the US entertainment company, for $420m.

The sale of 2.36m preferred shares in Time Warner took place on the market after they were converted into ordinary shares, and resulted in a profit of $199m for the company.

This is the second time this year that Itochu has sold a significant part of its stake in Time Warner to offset planned write-offs of non-performing property assets. In March, the company sold one-third of its holding, then 2.64m shares, to Citibank for $379m.

The sale of shares in Time Warner, with which Itochu continues to have business ties, reflects the difficult environment the company faces. The sale was part of a management restructuring plan aimed at reducing assets and investments and improve profitability.

Itochu has been keen to expand rapidly into multimedia fields, which was one of the reasons for its stake in Time-Warner. Among Japanese trading companies, however, it is one of the most heavily burdened by losses resulting from property and financial investments and faces a harsh trading environment as a result of the downturn in Japan and other Asian economies.

Its accumulated interest-bearing debt on a consolidated level is Y5,300bn ($39.7bn), and its debt-to-equity ratio has deteriorated to 13.5 times as a result of a net loss of Y95bn in the year to March 1998, according to a recent report by Warburg Dillon Reed.

The company also has a high exposure to Indonesia, with a net risk of Y164.3bn, or 42 per cent of net equity, according to the report.

The sale of its Time Warner shares would not affect its forecast results as the proceeds would go towards offsetting losses, Itochu said. Group net profits for the year to next March are forecast to rise to Y12bn, compared with a net loss of Y95bn last year.

Sumitomo Life in purchase

Sumitomo Life Insurance, the Japanese life group, is to take about a 10 per cent stake in Taiheiyo Securities, the Japanese brokerage affiliated to the collapsed Yamaichi group, in a bid to improve the target's creditworthiness and strengthen its business, Reuters reports from Tokyo.

Taiheiyo said yesterday that Sumitomo Life Insurance would buy the stake from units of the failed brokerage Yamaichi Securities. The remaining 5 per cent of Taiheiyo held by the Yamaichi group has been transferred to other companies.

Sumitomo Life will also lift its stake in Taiheiyo Investment Trust Management, part of the Taiheiyo group, from less than 1 per cent to 10 per cent.

Sumitomo Life said it planned to obtain a majority stake in Taiheiyo Investment Trust Management after December 1, when Japan's life insurers will be allowed to enter the investment trust business through subsidiaries.

Junichi Yoshino, Taiheiyo Securities president, said Sumitomo Life had been attracted by Taiheiyo's investment trust business.

Taiheiyo Securities' retail operation will develop financial products with Taiheiyo Investment Trust Management.

Manila pursues PAL rescue

By Tony Tassell in Manila

The Philippine government was last night preparing contingency plans to keep Philippine Airlines flying after its employees appeared to reject a deal critical to the airline's survival.

Initial results of a special referendum indicated that 54 per cent of the 2,560 staff polled had voted against a 10-year wage freeze in return for a 20 per cent stake in the company. PAL employs more than 7,000.

The owner of Asia's oldest airline, the Filipino-Chinese businessman Lucio Tan, said last week that PAL would close tonight after unions rejected the deal.

The government, which has an 18 per cent stake in PAL, has now announced it is considering extending 1.5bn pesos ($34m) of bridge finance to keep the airline flying for the next three months to prevent "serious air transport problems".

It is also considering placing PAL under a receivership committee to represent the residual interests of shareholders and creditors.

"The intention is to possibly run the airline on a temporary basis," said Jerry Barican, spokesman for the Philippine president.

Another option is to lease PAL to a state-run company. Under this proposal, PAL's assets would be liquidated or a rehabilitation plan set in place to allow another party to buy the airline.

Losses at PAL had been mounting amid falling demand for air travel in the wake of the regional financial crisis, the slide in Asian currencies against the dollar over the past year and a 22-day strike by pilots in July.

Oki shares tumble 14% on new warning

By Alexandra Harney in Tokyo

Shares in Oki Electric, the Japanese electronics group, fell 14 per cent yesterday after the group issued its second profits warning in a week and cancelled its annual dividend, blaming worse than expected sales of semiconductors.

Last week, Oki said it had extended holidays at its domestic memory plants to cut costs. Yesterday, it announced a fundamental overhaul of all divisions, including the closure of factories in Japan and the US, job cuts, and the withdrawal from lossmaking activities.

The group, which supplies communications equipment to Nippon Telephone and Telegraph, blamed the collapse in dynamic random access memory prices and the decline in demand for large scale integrated and information systems for its first losses on a parent basis in six years. It expects net losses of Y43bn ($322m) on sales of Y735bn in the year to March, compared with losses of Y8.1bn on sales of Y764.6bn last time. On a parent basis, the group reported Y1.9bn in net profits last year.

The warning represents a significant revision of earlier forecasts. In May, the group envisaged a modest profit of Y1bn, on sales of Y780bn.

Katsumasa Shinozuka, president, said the results reflected the group's failure to respond to changes in the memory market. "We were not mistaken in our attempts to deal with the problem. But there were several outside factors ... and we delayed too long."

The group's shares lost Y41 to Y262, about 40 per cent below their peak in July. Mr Shinozuka said the group would undertake a radical restructuring to return to the black by fiscal year 1999.

A chip assembly factory in Oregon in the US would be closed at the end of this month. The group also planned to mothball a memory plant in Chichibu, outside Tokyo, by the end of the year, in an effort to consolidate operations at its lossmaking semiconductor division.

It hopes to focus operations on three core businesses – information systems, communications, and semiconductors – and is in negotiations about further tie-ups with Japanese and foreign companies.

Under the plan, investment in semiconductors would be reduced by two-thirds over the next two years, from Y33.4bn this year to Y10bn in 1999, and research and development expenses cut nearly 10 per cent over the same period.

The group plans to cut at least 500 jobs, mainly through voluntary retirement and transfers.

Eridania Béghin-Say

Significant increase in half yearly results

The Board of Directors of Eridania Béghin-Say met on 17 September 1998 under the chairmanship of Mr Stefano Meloni. Consolidated accounts for the half-year ended 30 June 1998 were reviewed and approved.

The key consolidated figures are as follows:

In FRF millions	30/06/96	30/06/97	30/06/98	Δ 98/97
Net sales	25,902	30,718	32,688	+ 6.4 %
Operating income	1,675	1,889	2,116	+ 12.0 %
Pre tax income from continuing operations	1,150	1,301	1,527	+ 17.4 %
Net income Group share	745	855	953	+ 11.5 %
Total shareholders' equity	18,931	20,085	21,806	
Net financial indebtedness	11,750	13,769	14,593	

The net sales increase over the previous year's first half was mainly the result of strong expansion of the Oilseed Processing and Marketing and Animal Nutrition divisions - linked to changes in the scope of consolidation - and, to a lesser extent, of growth in the Starch and Derivatives division. Based on unchanged exchange rates and scope of consolidation, Group net sales were flat because healthy volume growth was offset by the impact on sales prices of lower raw material prices.

The double-digit increase in operating income is attributable to internal growth and reflects better operating performances registered by the majority of Group activities, as businesses that had posted lower contributions in 1997 - Sugar in Italy and Starch in the United States - began turning around and as the Oilseed Processing and Marketing (especially in Europe), Animal Nutrition and Olive Oil, Herbs and Spices divisions continued to improve.

Neither net sales nor operating income were significantly impacted by changes in exchange rates.

As a result of the increase in income from continuing operations, the Group's share of net income for the first half, which includes the capital gains generated by the sale of Koipe shares (of wich the group now owns 51.24%) and by the disposal of Eridania Lievito, an Italian company, specialising in yeast production, rose 11.5% to 953 million francs.

At 30 June 1998 total shareholders' equity stood at FRF 21,806 million (versus FRF 20,085 million at 30 June 1997 and FRF 20,980 million at 31 December 1997) and net financial indebtedness amounted to FRF 14,593 million (versus FRF 13,769 million at 30 June 1997 and FRF 15,496 million at 31 December 1997). The debt-to-equity ratio thus significantly improved, standing at 0.67 (versus 0.69 at 30 June 1997 and 0.74 at 31 December 1997).

Major events since 1 January 1998 include the acquisition of a controlling stake in DOEP (Ukraine's leading sunflower seed crusher and marketer of refined and bottled oils), of SOGIP in France (specialised in soy protein concentrates) and of Vigortone in the United States (a leader in the premix and animal nutrition US markets). Moreover, the sale of Koipe shares and the disposal of Eridania Lievito, already mentioned, also occurred during the first half, as did the 8-year and FRF 300 million issue of bonds indexed to the Eridania Béghin-Say share price (listed on the Paris Bourse since 21 August 1998).

Prospects 1998/1999

The prospects for the sugar campaigns underway and the outlook for cereal and oilseed crops point to a favourable raw material environment. Continued upturn in Sugar in Italy and Starch in the United States and further improvement in the other businesses should extend the current trend of improving results to the full year, assuming that the worldwide financial environment does not deteriorate.

In connection with this, the current crisis in Russia and its possible impact on Eastern Europe are not a specific cause of concern for Eridania Béghin-Say. Group companies buy local agricultural raw materials and supply consumers with staple foods. Furthermore, Eridania Béghin-Say's industrial presence in Hungary, in Poland, and more recently in Ukraine, on the one hand, and its commercial activity in Russia, on the other hand, give the Group a logistical and competitive advantage, thus enabling it to meet market needs and re-deploy its marketing and production programmes, while remaining selective as to possible risks.

This press release is available on the Eridania Béghin-Say web site http://www.eridania-beghin-say.com

AGENDA:
9-month net sales at 30/09/98: Friday 30 October 1998
12-month net sales at 31/12/98: Friday 12 February 1999

MONTEDISON GROUP

ASX set to control its own destiny

Australian exchange's listing will give it a more competitive edge, says **Russell Baker**

Almost three years ago, Australia's stockbroking profession came perilously close to killing the goose which is now about to lay the golden egg.

A resolution that individual brokers give up their membership of the Australian Stock Exchange in return for A$25,000 was narrowly defeated – while 69 per cent wanted to take the cash, their number fell 6 points short of the majority required.

Four years on, the brokers are set to swap their memberships for shares which will probably be worth at least A$500,000 (US$295,000) when the ASX lists on its own bourse on October 14.

The ASX's demutualisation and public listing will see 606 former members – 520 of whom are individuals – receiving 166,000 shares each. Observers are guessing that shares in the ASX will begin trading at A$3.00-A$3.50.

The figures are based on ASX's projected net profit for the year to June 1999 of A$17.8m – or earnings per share of 17.7 cents – and ASX's cash pile of A$170m. However, it is unclear how many of its broker shareholders will want to part with their shares.

Richard Humphry, ASX managing director, is concerned that investors may get their fingers burnt if the shares initially spike to unrealistic levels due to lack of supply but later start sliding.

For more than a century, the ASX has operated as a mutual organisation of stockbrokers who had sole right of access. But in 1982 the then Trade Practices Commission ruled that the ASX was obliged to admit corporations as members.

Inevitably the corporations – currently 86 broking firms – came to dominate trading and now handle 99 per cent of all equity transactions. But this created an anomalous situation – while the firms account for 99 per cent of transactions, they had less than 20 per cent of the votes. This meant that individual members, many semi-retired or inactive, effectively controlled ASX decision making.

But as a public company, ASX's board would have a mandate to react quickly to competitive pressures and make decisions on such issues as technology upgrades, extending trading hours or reciprocal agreements with foreign bourses.

Mr Humphry says the ASX's demutualisation and listing "is a strategic move to meet the competitive challenges of domestic and international capital markets".

Exchanges can no longer be "broker clubs" if they hope to provide efficient and cheap services to their other customers such as listed companies, institutional investors and information vendors.

By separating ownership of the exchange from access, groups such as financial planners and accountants which can satisfy certain standards can be hooked up to the ASX's market. This increased competition should lead to lower transaction costs.

The most immediate threat to the ASX, which is the world's 13th largest bourse, is that giant foreign exchanges such as the New York Stock Exchange and the London Stock Exchange will steal some of its larger market capitalisation stocks.

For example, James Hardie Industries, the Australian building products group, intends to inject its assets into a new company which it wants to list on the NYSE.

The ASX will also face competition from internet-based trading systems. To counter this, it is developing its own internet-based trading service which might be ready in two to three years.

There may also be some minor domestic challenges with the federal government providing funding to assist the long-dormant exchanges in Newcastle, NSW and Bendigo, and Victoria to resume operations and to investigate the establishment of a new bourse in Tasmania. However, such bourses would be serving mainly smaller companies.

The government is also considering a unified regulatory regime for Australia's securities and futures markets which could lead to more direct and broader-based competition between the ASX and the Sydney Futures Exchange.

Meanwhile, the ASX continues to flag a possible merger with the New Zealand Stock Exchange as a way of bolstering its international and regional weighting.

Australian stock exchange

	1997	1998	1999(P)
Revenue assumptions			
Number of listed entities	1,220	1,242	1,259
Annual equity trades (000)	5,275	6,311	6,072
Annual equity option contracts traded (000)	10,230	8,110	7,590
Total warrant series	187	411	460
Interest rate per annum earned on cash %	7.3	5.6	4.8
Consolidated profit and loss accounts (A$m)			
Operating revenue	111.9	130.0	128.2
Operating profit before interest, tax and abnormal items	7.6	18.0	19.8
Net interest income	8.9	8.4	7.7
Operating profit before tax and abnormal items	16.5	26.4	27.5
Abnormal items			(3.9)
Operating profit before tax			23.6
Income tax expense			(5.8)
Operating profit after tax			17.8
Earnings per share (cents)			17.7

Year end to June 30 P=projected

Source: Australian stock exchange

INVESTMENT BANKING SPECULATION INCREASES THAT MARKET CONDITIONS MAY DELAY PARTNERSHIP'S PUBLIC OFFERING

IPO fears grow as Goldman Sachs slides

By Tracy Corrigan in New York

Goldman Sachs yesterday reported a fall in third-quarter profits, amid growing speculation that the US investment banking partnership may have to postpone its planned initial public offering of 10-15 per cent of the firm due to market weakness.

The firm's third-quarter pre-tax earnings of $754m were down from $1.04bn in the second quarter and from $932m a year ago.

Goldman is due to file a final prospectus for its planned IPO, which would end 130 years of private partnership, in early October, followed by a road-show to market the deal to investors.

On September 7, the firm's co-chairmen and co-chief executive officers told staff that the firm's earnings would fall below the second quarter's.

But they added that the firm had not been deflected by recent stock market weakness from plans to float the company.

But the halving in market value of other publicly traded companies in the sector, slashing the potential valuation of Goldman's stock, coupled with weak demand for IPOs generally, have convinced some within and outside the firm that the deal will have to be postponed, unless the market picks up rapidly.

Since the IPO market typically closes in December, there is little time left for such an improvement, some observers note. Goldman declined to comment on plans for the IPO.

However, Goldman plans to bring an IPO for one of its clients, internet company eBay, to the market today. It will be the first IPO in a month.

Goldman is also arranging a global IPO for NTT DoCoMo, the Japanese cellular phone company.

John Thain, Goldman chief financial officer, said yesterday that "increased volatility in the financial markets, the widening of credit spreads, a decline in liquidity in certain markets and a reduction in global equity values have adversely affected many participants in the financial services sector, including Goldman Sachs. We expect these conditions to negatively impact our fourth-quarter results."

Mr Thain also said the firm's investment banking advisory business demonstrated a strong performance, while trading and underwriting businesses were down from record first-half levels in an increasingly difficult environment.

Third-quarter net revenues were $2.14bn and expenses were $1.29bn.

Unlike publicly traded investment banks, Goldman gave no precise breakdown of the impact of losses in emerging markets, but staff were told earlier this month that emerging markets had had a relatively small impact on overall business in the third quarter.

Crown Cork warns and plans job cuts

By Richard Waters in New York

Crown Cork & Seal, the world's biggest supplier of metal cans and other consumer product packaging, yesterday joined the growing list of US companies to warn on earnings, wiping more than 13 per cent from its share price in early trading.

The Philadelphia-based company added that it planned to cut 2,700 jobs in an effort to turn its fortunes round – the latest sign of how US workers have begun to pay a direct price for the economic slowdown in other parts of the world.

The company blamed foreign-currency weakness and "disruptions" to its business for the earnings disappointment.

Global consumer products companies, which are Crown Cork's biggest customers, have seen their own share prices fall by as much as one-third in recent weeks after a spate of warnings that problems in emerging markets would hurt demand for their products.

Crown Cork, which recently bought European rival CarnaudMetalbox, said it was likely to report earnings per share of 80-82 cents for the third quarter of this year, well below the $1.05 Wall Street had been expecting.

For the full year, the company predicted earnings from continuing operations of $2.30-$2.40, compared with $2.24 last year, though reported results will be dented by a one-off charge of $121m for the third quarter.

William Avery, chief executive, promised a tougher approach to the company's investment plans. Some $300m would be lopped from capital spending in 1999 and 2000, which would boost cash-flow to about $1bn over the next two years.

The move echoes steps by other US companies in recent weeks to rein in investment plans in the face of a more unsettled global economy.

Crown Cork said it planned to lift its return on capital to 11 per cent by 2002 – 50 per cent higher than the level it expected to reach for this year.

The company's shares fell $5 yesterday morning in New York to $32¼.

Putting the snap, crackle and pop back into Kellogg

Carlos Gutierrez is the man shareholders are hoping will boost performance at the cereals group, **writes Richard Tomkins**

Will Carlos Gutierrez, Kellogg's new chief operating officer, be the man to put the snap, crackle and pop back into the US company's performance? Exasperated shareholders must be hoping so.

Kellogg owns one of the best-known brand names in the world, and cereals make a quick and nutritious snack for people in a hurry. The combination would seem to be a recipe for growth.

Instead, Kellogg has been going nowhere for most of the last decade. Its market share has declined, profits have bobbed up and down, and its share price performance has been as soggy as a bowl of old corn flakes.

In June, the company at last seemed to wake up to its troubles by appointing Mr Gutierrez president and chief operating officer, positioning him as the likely successor to Arnold Langbo, the 61-year-old chairman and chief executive.

In the past week, Wall Street analysts have detected Mr Gutierrez's hand in the sudden departure of Kellogg's top two regional executives: Thomas Knowlton, head of North American operations, and Donald Fritz, the European chief.

Kellogg's recent troubles started in the 1980s, when cereal makers pushed up prices in the belief that consumers would go on buying their products on the strength of their brands.

The bubble eventually burst when consumers rebelled against the high prices and started buying cheaper products – notably, stores' own brands.

In 1994, General Mills became the first big US cereal company to cut its prices. But the cereal price war did not start in earnest until April 1996, when Philip Morris's Post breakfast cereal unit slashed its breakfast cereal prices by an average of 20 per cent, forcing Kellogg and the other big cereal companies to respond.

Kellogg's profits have never been the same since. Last year, after "non-recurring" restructuring charges that in fact did recur on a regular basis every quarter, it made net profits of $564m, barely higher than at the beginning of the decade.

The price war is only part of Kellogg's troubles. Even as the company has yielded market share to cheaper cereals sold in bags and stores' own brands, the US cereal market as a whole has shrunk as more Americans have switched to bagels, doughnuts and other breakfast substitutes, or stopped eating breakfast altogether.

According to Information Resources, a Chicago-based market research group, the US breakfast cereal market declined by 1.2 per cent to $7.1bn in the year to June 14. In the past decade, Kellogg's share of that market has tumbled from more than 40 to 32 per cent.

Things are not much better in Europe, where Kellogg has been suffering from some of the same problems that it faces in the US. In addition, Kellogg is facing increasing inroads into its markets from Cereal Partners Worldwide, a joint venture between General Mills and Nestlé, the Swiss food group.

Mr Gutierrez comes to these problems as a Kellogg veteran, with previous experience in business development, Kellogg Asia-Pacific, Kellogg North America and Kellogg Latin America.

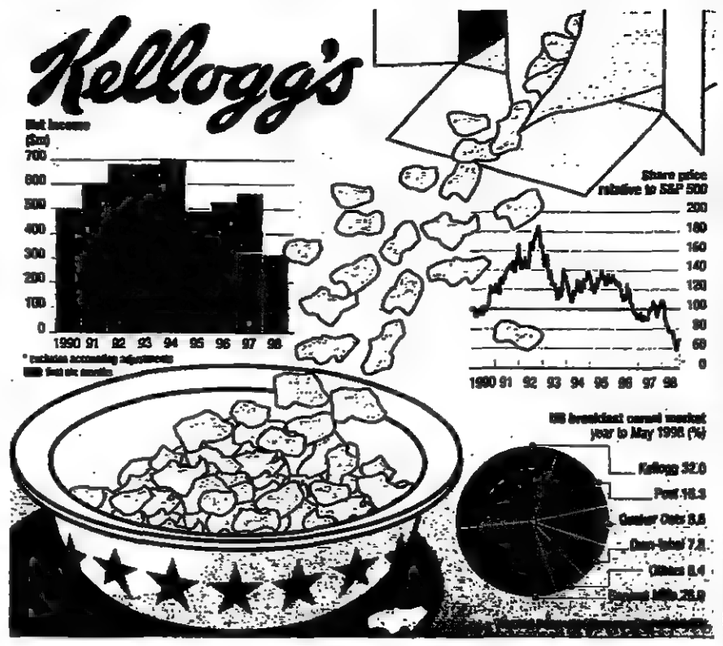
Nomi Ghez, an analyst at Goldman Sachs, says Mr Gutierrez is regarded as a good marketer and a successful manager. "He made his name when he ran the Latin American business, which he did very successfully – although clearly that was a much easier business to run, since per capita consumption in Latin America is very low and increasing nicely from a very low base."

How Mr Gutierrez intends to deal with Kellogg's North American troubles remains to be seen, but it is a tough task with no guarantee of a successful outcome.

Kellogg has already warned that earnings per share will fall 15 per cent below last year's level because of unspecified actions intended to restore its market share in extremely competitive conditions.

Analysts say they see signs that the company is resorting to short-term policies of boosting sales with heavy spending on promotions such as coupons, price-cuts and "buy one, get one free" offers.

"If anything, we have seen an acceleration of the problems in recent months," says David Nelson, an analyst at Credit Suisse First Boston. "Volumes appear to have improved in recent months with increased promotional spending, but at what cost to the bottom line?"



Competition in the airwaves signals harder times ahead

Argentina's Movicom has high hopes, writes **Andrea Campbell**

When Movicom was given Argentina's first cellular telephone licence for the greater Buenos Aires region in 1989, Argentines were used to waiting years to get a phone at home and wireless communications were non-existent.

Today, the consortium led by BellSouth, the US telecommunications company, has a 60 per cent stake in the cellular phone market with the highest penetration in Latin America.

But soon Movicom, whose minority shareholders include Motorola of the US, and Argentine electronics company BGH, could be facing a challenge. It is competing for a licence to provide nationwide basic telephony and a long-distance service from November 1999 as part of government deregulation announced in March.

Movicom, which teamed up with Correo Argentino, Argentina's recently privatised postal company, for the licence, has already begun building a fibre-optic ring around the capital and has prepared technical plans to begin construction into the interior of the country, says Mauricio Wior, Movicom president.

It plans to self-finance what the government estimates will be an investment of $400m to compete against existing monopoly operators, Telecom, majority-owned by France Telecom and Italy's Stet; and Telefónica Argentina, led by Telefónica of Spain. The third rival will be a consortium led by Compania de Telefonos del Interior, a cellular operator in the interior of the country. CTI, run by Clarin, a local Argentine media group, and US groups Lucent Technologies and GTE, was awarded a basic telephone licence along with Movicom at the end of the 1980s.

"Two years from now we see the company as a national group covering every middle and small town in Argentina and providing a full array of services starting with cellular and going to data services, long-distance and the internet," says Mr Wior.

Yet in spite of Movicom's strong position, analysts are doubtful it could construct the kind of network coverage offered by the two monopolies, which have invested an average of $1bn a year each since Entel, the state-owned telecoms company, was privatised in 1990.

Jose Linares, telecoms analyst with Société Générale in New York, says that, with many Argentine cities already saturated and the demand for new lines declining, Movicom would be better off concentrating on larger cities like Rosario and Cordoba, where demand continues to increase and new lines remain profitable.

But Movicom's main shareholder, with a 65 per cent stake, is looking beyond Argentina. With operations in nine Latin American countries, including a newly won cellular band in São Paulo, Brazil, and another for the interior of Peru, BellSouth will be able to offer "clear competitive advantages" when it comes to international long-distance service, says Mr Wior, who is also BellSouth vice-president for LatinAmerica.

The Atlanta-based group, which has carved up much of the Latin American telecoms market with Telefónica of Spain and France Telecom, can construct a regional network more efficiently. For example, by allowing long-distance traffic generated in central Argentina to be carried via Chile, which is closer, rather than Buenos Aires, BellSouth will also be able to manage both ends of communications as well as develop regional services such as seamless roaming and data transmission, says Mr Wior.

"They have a presence everywhere throughout Latin America and the fact that they control the communication's origination and termination is very powerful – it offers them a massive advantage," says Mr Linares.

How much of an advantage will depend on the finer points of the deregulation plan, which has yet to be published.

But first, Movicom still has to receive the promised basic telephone licence, which has been delayed by legal challenges to the telecommunications deregulation plan.

Moody's confirms debt rating at Lehman Bros

By Tracy Corrigan in New York

Moody's Investor Service, the US-based ratings agency, yesterday confirmed the debt ratings of Lehman Brothers, the US investment bank which has been dogged in recent weeks by rumours of financial difficulties.

Richard Fuld, Lehman chairman and chief executive, said the move "clearly and positively underscores the ongoing financial strength and stability of the firm".

Lehman Brothers' long-term debt rating is A3, and Moody's assigned it a "stable" outlook. However, the company had originally been placed under review for possible upgrade on July 31.

Lehman's share price rallied $1\frac{1}{16}$ to $35\frac{3}{16}$ early yesterday, against a high of $83\frac{13}{16}$ on July 14, due to concerns, which also hit other financial stocks, about the impact of global market turmoil.

The firm is due to announce its third-quarter earnings today. It said on September 3 that third-quarter net income would be about $151m, after a reduction of about $60m due to the "impact of significant volatility in Russian and other emerging markets". Lehman reported net income of $324m in the second quarter of this year and $197m in the third quarter of 1997.

However, in recent weeks there has been a spate of rumours that Lehman faced bankruptcy; that Chase Manhattan had restructured a repurchase agreement with Lehman; that a real estate investment trust faced difficulties; and that bridge loans to Latin America were in trouble. Lehman said yesterday that all these rumours were untrue.

Moody's said yesterday that "Lehman Brothers has made significant progress improving profitability in recent years, as regards cost reductions and the ongoing disciplining of non-personnel expense management". The firm has also built revenues from higher margin businesses such as equities underwriting, reduced leverage and increased financial flexibility.

Lehman said the firm, which has 8,500 employees worldwide, had no plans to cut jobs.

However, Moody's also warned that Lehman's business mix was more narrowly focused than many of its peers and the firm "may be challenged during a period of slack volumes and intensified competition". Its balance sheet leverage is higher than at some of its peers, the agency added.

NEWS DIGEST

MACHINERY EQUIPMENT

Finning International warns of earnings fall

Finning International, the world's largest distributor of Caterpillar heavy equipment, has warned that its third-quarter earnings would be "significantly below" last year's due to the slump in global commodities prices and lacklustre sales at its UK operations.

The group, which did not provide details of the expected drop, was the latest of several companies in the heavy equipment sector to issue a profits warning. Case and Deere, the US agricultural machinery and heavy equipment manufacturers, recently issued warnings and indicated they would lay off workers as they cut production in the face of weaker demand.

Finning, based in western Canada, generated C$2.3bn (US$1.5bn) in revenues last year by selling, financing and servicing Caterpillar equipment. The group said its UK operation was suffering due to a business climate dominated by the strong British pound. This has made it increasingly difficult for UK companies to sell used equipment abroad and has meant the importing of cheaper used equipment into the UK. Finning last year merged its UK operations with Leverton, the former Caterpillar dealer for eastern and northern England, in order to build a national presence.

The slump in oil, copper and forest products prices has also led to lower business activity in western Canada and Chile, regions in which the Canadian distributor has sales offices. The company, which will report quarterly results on October 13, said it was implementing unspecified cost-cutting measures in response to continued weakness in global markets. Finning shares were down 30 cents to C$12.10 at midday yesterday. **Scott Morrison, Toronto**

INVESTMENT BANKING

Fast exit at Salomon

Eric Fast, co-head of global investment banking at Salomon Smith Barney, will leave the firm in January "to explore new challenges outside the investment banking industry", the company said yesterday. Mr Fast has been with Salomon for 15 years. He will be replaced by Robert Morse, currently head of Salomon's Asia Pacific region. Michael Carr, Salomon head of mergers and acquisitions, recently left the firm to join Goldman Sachs.
Tracy Corrigan, New York

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

AMD challenge for chip market

By Louise Kehoe in San Francisco

Advanced Micro Devices is out to prove that Intel does not have a complete monopoly in the world market for the microprocessor chips that power PCs.

Yesterday, the Silicon Valley chipmaker, headquartered just a stone's throw from its huge competitor, launched a new chip for use in notebook computers. The new version of the K6, AMD claims, comes close to the performance of Intel's fastest chip for use in mobile computers, while significantly undercutting Intel's price.

For more than a decade, AMD has been little more than a flea on the hide of the giant Intel in the microprocessor market. With more than 90 per cent of the world market, Intel has had little effective competition.

Lately, however, AMD has taken some stinging bites out of Intel's sales. With the chip unveiled yesterday, for example, AMD has won a contract to supply Compaq Computer, the world's largest PC company and Intel's biggest customer, with the microprocessor it will use in a new lower-cost notebook PC that is expected to be on the market before the end of the year. Several other PC manufacturers will follow, AMD claims.

AMD's share of the market for microprocessors used in PCs sold in the US at retail outlets (excluding PCs delivered directly to companies or individuals) has risen sharply over the past year. In June, according to preliminary figures from PC Data, a market research firm, AMD's share stood at 34.8 per cent.

In the "sub-$1,000" desktop PC market, again counting only PCs sold by US retailers, AMD boasted a 52.9 per cent share.

Still, competing with Intel is like taking on an "800-pound gorilla", says W. J. Sanders III, AMD chairman and chief executive. The Federal Trade Commission apparently agrees. The commission has charged Intel with using anti-competitive activities to maintain its monopoly.

BIRMINGHAM MIDSHIRES BUILDING SOCIETY
£200,000,000
Floating Rate Notes due 2000
For the three months from 21st September 1998 to 20th December 1998 inclusive the Notes will carry an interest rate of 7.48438% per annum.
The interest amount payable per £10,000 will be £186.60 and per £100,000 will be £1,865.97 on 21st December 1998.
AGENT BANK:
BARCLAYS

Kent County Council
Minor Works and Winter Maintenance
The County Council proposes to invite tenders for minor works and winter maintenance throughout of the administrative area of Kent. Applications are invited from suitably qualified companies for inclusion on the list of those to be invited to tender.
Some parts of the work are currently undertaken by District Council DSOs and another company. It is intended that these parts will be subjected to a separate tendering process at a later date.
The resulting contract, which will be for a minimum period of 3 years, will commence on 1 October 1999. It will include the majority of work involved in the operations listed below, together with the transfer of approximately 80 staff.
The operations in the contract will include:
- Highway Works
- Winter Maintenance
- Winter Emergency Response
- Bridges and Structures Works
- General Emergency Response
- Works in Progress
It is the preliminary view of the Council that the provisions of The Acquired Rights Directive 1997 and the Transfer of Undertakings (Protection of Employment) Regulations 1981 may apply to this contract.
Further details and an information pack are obtainable from:
Duncan Smith
Contracts Support Manager
Engineering Consultancy
Springfield
Maidstone
Kent ME14 2LQ
Quoting reference. 6xDSS/MWWM99
to whom completed applications must be returned by noon on 10 October 1998.
The tender process is programmed to start in January 1999.
The official notice in connection with the provision of this work appeared in the Official Journal of the European Community on 3rd September 1998.

Financial Times Surveys
Osaka
Monday October 19
For further information please contact:
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FINANCIAL TIMES
No FT, no comment

EAT THE SMART WAY OF FLYING
Executive Air Transport Ltd.

Atlas Capital Limited
(Incorporated with limited liability in the Cayman Islands)
FF 3,800,000,000
Guaranteed Floating Rate Notes due 1998
unconditionally and irrevocably insured and guaranteed as to payment of principal and interest pursuant to a financial guaranty insurance policy issued by
MBIA Insurance Corporation
For the Interest Period 23rd September, 1998 to 30th December, 1998 the Notes will carry a Rate of Interest of 3.63125% per cent. per annum. The Coupon Amount per FF 10,000 Note will be FF 100.87 for the FF 100,000 Note will be FF 1,008.8 and for the FF 1,000,000 will be FF 10,088.81, payable on 30th December, 1998.
Banque Paribas Calculation Agent
International PLC, London

A/S Eksportfinans
(Incorporated in the Kingdom of Norway with limited liability)
US$100,000,000
Senior/Subordinated Notes due 2002
Notice is hereby given that the Rate of Interest has been fixed at 5.2813% and that the interest payable on the relevant Interest Payment Date March 23, 1999 against Coupon No. 13 in respect of $1,000 Nominal of the Notes will be $26.55 in respect of $10,000 Nominal of the Notes will be $265.53 and in respect of $100,000 Nominal of the Notes will be $2,655.32.
Global Agency and Trust Services, Citibank, N.A. London
September 22, 1998
CITIBANK

AUTOMOTIVE INDUSTRY DIFFICULT CONDITIONS IN BRAZIL AND GLOBAL TURBULENCE DEPRESS FIRST-HALF EARNINGS BY 11.6%

Fiat issues profit warning for full year

By Paul Betts in Milan

Fiat, Italy's largest manufacturing group, warned yesterday that full-year pre-tax profits would be lower than last year's L4.182bn ($2.5bn), after an 11.6 per cent fall in the first half to L2.001bn.

The automotive group blamed difficult trading conditions in its core car operations, especially in Brazil, where Fiat is market leader, and global financial turbulence for the decline.

The company also warned that problems for the car industry were expected to worsen in the second six months. Apart from undermining its strategic Brazilian market, the financial crisis was making Asian car manufacturers, especially South Koreans, more aggressive, Fiat said.

First-half group revenues rose about 4 per cent to L46,742bn. Analysts estimate full-year group revenues will rise to about L92,000bn from L89,566bn last year. Net liquid assets totalled L2,655bn at the end of the latest half.

While car operations were under increasing pressure, Fiat said other businesses continued to perform strongly. Improvements in its financial activities and investment portfolio had helped to offset the decline in automotive earnings.

Fiat also said it remained committed to its global strategy in spite of the problems in emerging countries. At a time of consolidation in the car industry, Fiat said its global strategy enabled it to continue growing autonomously. However, it would keep an eye open for partnerships or other alliance opportunities.

Fiat Auto, the main vehicle division, sold 1.347m units in the first half, about the same as last time, but revenues rose 2.8 per cent to L26,244bn because of a better product mix. Fiat Auto's first-half operating earnings totalled L101bn, with profit margins falling to 0.4 per cent from 3 per cent. The company largely blamed Brazil for the decline.

Pressures on manufacturers fed into Fiat's Magneti Marelli car components, Teksid metal products and Comau factory automation activities. These combined operations saw margins fall to 2.1 per cent from 3.2 per cent in the 1997 first half, in spite of higher revenues.

By contrast, the Iveco commercial vehicles subsidiary reported sharply higher first-half operating profits of L292bn, with margins doubling to 4.7 per cent. Iveco revenues rose 14 per cent to L6,231bn.

The New Holland farm machinery and earth-moving equipment subsidiary also reported higher operating earnings, of L732bn, although margins dipped from 13.2 per cent to 12.8 per cent. Sales rose 7.9 per cent to L5,727bn.

However, the farm machinery sector is coming under pressure, especially in the UK and south-east Asia. Fiat said the Brazilian market had also grown.

Toro, the insurance company controlled by Fiat, also performed strongly, with a 40 per cent rise in premiums. Fiat said Toro had contributed L174bn to its first-half pre-tax profits.

The company's FiatAvio aerospace activities saw margins rise from 2.5 per cent to 5.6 per cent in the first half, while margins in the railway operations remained at last year's level of 6 per cent.

Lex, Page 18

Christiania's tact helps it pull off unlikely merger

Proposing a base outside Oslo was key to Norwegian government's acceptance of bank merger, writes **Valeria Sköld**

Last week, Tom Ruud, president and chief executive of Christiania Bank, managed to mastermind the impossible in the Norwegian financial industry.

By agreeing to merge with Fokus Bank, Norway's fourth largest, and state-owned Postbanken, Mr Ruud will create the country's leading bank for retail and small to medium-sized businesses.

The new bank, owned 61.1 per cent by Christiania Bank, will usurp long-time rival Den norske Bank as the leading Norwegian financial services group, with a market value of NKr22bn ($2.94bn).

What is remarkable is not the actual merger proposal, but the fact that it may happen. Previous attempts at such link-ups – including Mr Ruud's own ill-fated attempt to woo Norwegian insurer Storebrand earlier this year – met resistance either from shareholders, directors or political powers.

The industry seemed unable to follow the global trend for consolidation within the banking sector.

The break for Christiania Bank came in January, when the Norwegian finance ministry refused rival Den norske Bank permission to merge with mortgage lender Bolig-og næringsbank. The ministry's main objection was that DnB's plan to base the bank in Oslo went against the government's ambitions to spread the country's financial power base outside the capital.

"If you look at acquiring a bank [in Norway,] there is a lot of legislation that makes it difficult," says Mr Ruud. "This is one of the few executable transactions that could get the in-border consolidation of the financial industry in Norway and is more in line with the other Nordic countries and the rest of the world."

Mr Ruud has reason to proclaim early victory where others have failed. He appears to have won political support by proposing to base the new bank in Trondheim, thus allaying regional sensitivities.

Of course, it does not hurt that the already weak centre-led government is in the middle of an unpopular battle to tighten its fiscal position. His tactical measure to move the organisation has not gone unnoticed as being perhaps too clever.

The industry has dubbed the new organisation and its Trondheim headquarters "Postkassen", Norwegian for mailbox and a hybrid of the names Postbanken and Christiana Bank og Kreditkassen.

The only possible obstacle to Mr Ruud's perfect plan would be a less than two-thirds majority from Fokus shareholders. If the generous stock-swap deal proves not sweet enough to convince investors, Mr Ruud is counting on at least some of them to go along with his plan because of their own merger aspirations.

Fokus shareholders SpareBank 1 Gruppen and Union Bank of Norway, for example, are seeking concessions from the government to form alliances with Föreningsbank of Sweden and Norwegian insurer Gjensidige.

Even John Giverholt, acting chief executive officer at Den norske Bank, an 8 per cent shareholder in Fokus, feels Fokus shareholders will accept Christiania's offer.

The merger plan shows that Norway is beginning to participate in the international banking sector. Intensifying competition in the financial sector, both in Norway and abroad, combined with low oil prices, high interest rates and krone fluctuations, will force DnB and others to seek alliances, Mr Giverholt said.

However, the reality behind Norway's new bank is that it is not such a giant. It still ranks only eighth among its rivals in Scandinavia and Denmark.

And at home, it will not shake DnB from its leading position in corporate lending, asset management and life assurance. "There is no material change in our strategy," said Mr Giverholt.

Seeking alliances: John Giverholt of Den norske Bank

"Our strategy for evolution is more towards corporate and high-end customers. Postkassen is based more toward small corporate and mass retail markets."

DnB may not feel threatened yet by the new and larger competitor, but Mr Ruud would like it to be worried. The new Christiania Bank entity plans to push more business development projects after 2000, after sorting out the merger.

"We want to be a leading player similar to Den norske Bank in capital markets and corporate accounts," Mr Ruud said. "We should at least be able to come up side by side with them."

"We have agreed to grow in both asset management and life assurance. We'll start by getting to know [Danish insurer] Codan," which has a distribution agreement with Fokus Bank. "If they are a good partner, maybe it will develop into something."

Storebrand sees a link-up as unlikely

By Valeria Sköld in Oslo

Storebrand, Norway's largest insurer, was unlikely to consider a merger with the new Christiania Bank entity or Den norske Bank, according to Age Korsvold, chief executive.

"I think [the three-way merger] is a very attractive transaction from a conceptual point of view, but I think it's also a very complicated transaction basically," Mr Korsvold said in an interview. "Storebrand will have gone other ways long before those issues have been completed."

Christiania Bank in May launched a NKr19bn ($2.5bn) bid for Storebrand, about a year after a merger attempt between the two failed. The latest bid was rejected by the Storebrand board as too low.

Mr Korsvold said Storebrand, the country's third largest financial services company after the creation of the new bank, would not make another attempt to merge with Christiania Bank, because of the complications of its tie-up with Fokus and Postbanken.

It was also concerned about the state's influence in Christiania.

"It's not necessarily about percentages [of state ownership]," Mr Korsvold said. "The important thing is that you can be sure that, as a shareholder in Storebrand, this is a structure that takes business decisions without political considerations."

A merger with Den norske Bank, the country's largest financial services group, would also be unlikely under current banking regulations. The government controls 51 per cent of both DnB and Christiania Bank, a legacy of a bail-out of the financial sector in the early 1990s. The state has vowed to bring down its holdings to 33 per cent but has been slowed by poor market conditions.

In the meantime Mr Korsvold plans to work on improving Storebrand's business through a NKr400m–NKr600m cost savings programme over the next three years. But eventually it will consider alliances with international financial institutions.

Azkar suspends offering on Bolsa

By Tom Burns in Madrid

Azkar, Spain's leading transport and distribution group, yesterday became the first company to withdraw an initial private offering on Madrid's Bolsa since equity markets tumbled last month in the wake of Russia's financial crisis.

The family-owned group, which planned to place 43 per cent of its equity on the markets in an issue valued at some Pta21.2bn ($147m) suspended the IPO hours before the start of the offer.

Analysts believe if market turbulence persists, Azkar's example will be followed by as many as 12 small and medium companies that have been queueing for a flotation over the next three months.

The prospective issuers likely to postpone a placement include Funespaa, the first undertaking business to seek a Bolsa listing; General Optica, a chain of opticians, and Bodegas y Bebidas, a listed Rioja wine producer that plans to increase its free float through an offer of stock controlled by Banco Bilbao Vizcaya.

Azkar said retail investors, who had been allocated 32 per cent of the total offer, had bid six times what they had been offered, but that flat demand from institutions had advised against the issue.

The government is, however, still pressing ahead with plans for a market disposal, worth up to Pta60bn, of Red Eléctrica, the state-owned high grid electricity network which is provisionally scheduled for mid-November and will complete the year's privatisation schedule.

The three big privatisation issues in Spain this year involved Argentaria, the banking group, Tabacalera, the tobacco company, and Endesa, the power group, and were completed by May.

Last week Federico Paternina, a fine Rioja wine maker, put 30 per cent of its equity on the market, and the stock closed flat at its issue price of Pta2,360.

As the Bolsa recovered yesterday after a 5.1 per cent drop in the general index on Monday, Paternina's share price closed at Pta2,075, up Pta25.

Swissair parent in French buy

By David Owen in Paris

SAirGroup, the parent company of Swissair, is increasing its presence in the French air transport market by taking a 44 per cent stake in Air Littoral, a regional carrier specialising in southern European destinations.

The purchase, for an undisclosed sum, may be a prelude to a further move into France. The Swiss company has expressed interest in taking a minority stake in AOM, another French airline, which Consortium de Réalisation, the state-backed vehicle set up to sell assets removed from Crédit Lyonnais's balance sheet, is preparing to sell. Yesterday it confirmed it was bidding.

Both moves fit its strategy of expanding through the acquisition of minority holdings in medium-sized and small airlines. Air Littoral will become the 10th member of the Qualiflyer Group European alliance.

Following the deal, Michel Seydoux's MSC Group will still have a majority of Air Littoral's capital. The remaining 5.9 per cent is in the hands of private interests of the Grimaldi family of Monaco and the Chamber of Commerce and Industry of Nice, where one of the airline's two hubs is based.

The Air Littoral group has 1,300 employees and 53 aircraft. In the year to March it had turnover of FFr1.4bn ($248m).

Bouygues falls as taxes increase

By David Owen in Paris

Bouygues, the French construction, utilities and telecommunications group under pressure from Vincent Bolloré, the French financier, has reported a sharp downturn in first-half net attributable profit.

The decline, from FFr528m to FFr102m ($18m), was mainly attributable to higher taxes and a FFr455m drop in exceptional contributions.

These reached FFr650m in the first half last year because of a FFr623m gain on the acquisition by Telecom Italia of a stake in BDT, the holding company that controls Bouygues Telecom.

Profit before tax and exceptional items climbed more than 50 per cent to FFr1.02bn, with all businesses except telecoms increasing their contributions.

"After a seven-year decline, Bouygues increased its turnover in France in 1998, a trend that is expected to continue in 1999," it said.

Mike Betts, a London-based building analyst with Goldman Sachs, said operating results had come out slightly better than expected because of strong performances from TF1, the television station, and Colas in road building. Net profit was slightly below expectations.

The figures were released after the French stock market closed with the company's shares up FFr52, or 5.8 per cent, at FFr953 on a mainly static market.

Turnover rose 9 per cent to FFr46.4bn, with an 8 per cent advance to FFr98bn predicted for the year. The group fought shy of a full-year profit forecast saying the seasonal nature of its activities and the impact of exceptional items made this impossible.

Analysts drew attention to a sharp increase, from FFr9.6bn to FFr13.6bn in financial liabilities, seeing a possible justification for Mr Bolloré's contention that the group cannot finance such a broad range of activities.

Mr Bolloré has been subjecting the group to intense pressure since snapping up a 10 per cent stake last December and forcing his way on to the board. He has urged Bouygues to sell its telecoms operations.

Bouygues said yesterday the activity was "creating substantial value added for Bouygues shareholders". However, the company's share of the "accounting losses inherent in the launch of this type of activity" amounted to FFr353m, against FFr158m a year earlier.

Oerlikon-Bührle losses rise

By William Hall in Zurich

Oerlikon-Bührle, the Swiss engineering conglomerate, yesterday reported a five-fold increase in first-half losses, to SFr98m ($70.5m), and disclosed that the chief executive of its most profitable business was quitting.

The group, whose interests range from Bally shoes to armaments and semiconductors, has been struggling to find a new role following the appointment of a new board of directors this year.

Just over a year ago Ernst Thomke, Switzerland's best-known trouble shooter, resigned following a boardroom row with Hortense Anda-Bührle, the majority shareholder, over the future of Bally, the group's troubled luxury shoes company. A few months later Hans Widmer, an ex-McKinsey management consultant, stepped down after seven years as chairman.

The recovery at Bally, which the group wants to float on the stock market in November, is taking longer than expected. The downturn in Asia was the main reason for the near 20 per cent fall in Bally's sales, to SFr381m. It lost SFr64m in the latest six months after breaking even a year ago. It has cut its workforce by more than a fifth over the past year. But the new positioning of the brand is proving to be "very costly and time-consuming".

The Contraves armaments operation and the Pilatus aircraft business fell back into the red in the latest six months. Balzers and Leybold, which accounts for nearly half the group, increased its operating profits by 35 per cent, to SFr62m. The defection of Horst Heidsieck, chief executive of Balzers and Leybold, comes as his division is starting to be hit by the Asian crisis and problems in the semiconductor industry.

Mr Heidsieck is returning to Germany to head Heraeus, a family-controlled engineering company which sold Leybold to Oerlikon-Bührle in 1994.

Oerlikon-Bührle said it understood Mr Heidsieck's wish to become chief executive of a company which was bigger than Balzers and Leybold. Oerlikon-Bührle is looking for a chief executive for the Oerlikon-Bührle Technology Group, which will take in Balzers and Leybold, Contraves and Pilatus.

Oerlikon-Bührle said it expected operating profits to show an improvement in the second half but still expected to report a net loss for the full year.

NEWS DIGEST

FASHION RETAILING

Hennes & Mauritz plans 33 new stores in Europe

Hennes & Mauritz, the fast-growing Swedish fashion retailer, yesterday stepped up its aggressive expansion drive by announcing plans to open 33 new stores in Europe by the end of the year. The group, reporting a higher-than-expected 46 per cent jump in nine-month profits, saw its shares rise more than 6 per cent.

Pre-tax profits increased from SKr1.45bn to SKr2.1bn ($265m). Turnover advanced 23 per cent to SKr18.3bn. H&M, which has so far opened 36 new outlets during 1998, described sales growth as "very satisfying" across its 12 European markets. It had previously stated it would open 60 new stores this year. Its most-traded B shares rose SKr18 to SKr548.

The company said its incursion into France had been associated with high costs, but sales at its three Paris outlets had nevertheless been strong. The biggest expansion, however, was in Germany. It added 28 new stores there, its largest single market.

H&M, which has liquid assets of SKr4.2bn, said activities outside Sweden accounted for 81 per cent of total sales, an increase of 2 percentage points. The expansion drive triggered an increase in sales and administrative costs, from SKr4.9bn to SKr5.76bn, but H&M stressed its operating margin had improved from 11.1 per cent to 13 per cent. Operating profits climbed from SKr1.4bn to SKr2bn, including costs of SKr106m for new start-ups.

Earnings per share rose to SKr6.67 from SKr4.57.

Greg McIvor, Stockholm

SECURITIES

Stockholm SE to offer euro

The Stockholm stock exchange said yesterday it planned to offer trading of euro-denominated shares from January 4 next year, despite lack of interest among Sweden's largest corporations.

Sweden is outside the 11 countries which will launch the European single currency, but the bourse said it was important it could provide the same level of service available on other leading European exchanges, such as London and Frankfurt. No Swedish company has expressed interest in switching trading of its equities from kronor to the new currency. However, the bourse said it was clear that "euro-denominated trading will be the obvious choice in the longer term".

Bengt Ryden, Stockholm stock exchange chairman, said the bourse was planning to offer parallel trading, whereby a share could be simultaneously traded in kronor and euros, from the first half of next year. **Greg McIvor**

BROADCASTING

Trio optimistic on TV venture

The Italian broadcaster Mediaset, Germany's Kirch Group and a spokesman for Saudi Prince Alwaleed bin Talal said their European television venture was nearing completion. "We're at the last stage of the game and we'll know next year how things will turn out," said Jan Mojto, head of Kirch Group's programming, production and distribution division. "However the issue of alliance finishes, the co-operation between Mediaset and Kirch will surely lay the future nucleus of a great European communications group," he said.

The comments follow months of speculation that Kirch and Mediaset were considering an alliance, including a possible share swap that would foster Mediaset's European ambitions while giving Kirch a cash boost.

Fininvest, Mediaset's parent, this month denied talk of share buys after Italian press reports that a new Kirch company called Taurus would soon be quoted in Frankfurt and become the pivot for a pan-European media grouping involving Mediaset, News Corp chief Rupert Murdoch and Prince Alwaleed.

Tarak Ben Ammar, a consultant for Alwaleed, said project negotiations were "going ahead" and the deal would represent a strategic investment for the Saudis. **Reuters, Monte Carlo**

BANKING

Dexia sees 11% advance

Dexia, the Belgo-French banking group, yesterday announced an 11.2 per cent increase in net first-half profits to BFr14.3bn ($412m), and predicted a similar growth in profits in the second half.

The group, formed in 1996 from the alliance of Crédit Communal de Belgique and Crédit Local de France, said the profits increase reflected strong performances from all its main operations. Net banking income jumped from BFr46.5bn to BFr54.1bn, with net interest income up from BFr32.8bn to BFr35.4bn.

Costs increased 15.2 per cent to BFr27.6bn, but that included a provision of BFr1.5bn relating to a tax dispute with the Belgian authorities. The dispute had now been resolved in Dexia's favour. The bank added its exposure to emerging markets was "marginal". **Neil Buckley, Brussels**

CORRECTION

Mobistar

The initial public offering of Mobistar, the Belgian mobile telephone company, will value it at BFr72bn to BFr82bn ($2.07bn-$2.36bn) based on its indicative price range, and not at BFr30bn as reported yesterday.

1998 INTERIM DIVIDEND

TNT Post Group N.V.
with its registered office
in Amsterdam, the Netherlands

With reference to the advertisement dated September 2, 1998, regarding payment of the 1998 interim dividend, the Board of Management of TNT Post Group N.V. hereby announces that the number of dividend rights entitling shareholders to one new ordinary share of NLG 1.00 par value has been set at 160.

Based on the closing price on the Amsterdam Stock Exchange of NLG 45.90 on September 21, 1998, 1/160 part represents a value of NLG 0.287. This is 4.38% less than NLG 0.30, the value of the interim dividend in cash.

Payment of the dividend in cash and delivery of shares in connection with stock dividend conversion will start September 25, 1998.

The Board of Management
Amsterdam

September 21, 1998

TPG
TNT POST GROUP

STORAGE LINK-UP WITH CONSTRUCTOR WILL CREATE COMPANY WITH ANNUAL SALES OF $588m

Dexion to merge with Norwegian group

By Andrew Edgecliffe-Johnson in London and Valeria Skjöld in Oslo

Dexion, the UK shelving company, is merging with Constructor, the Norwegian storage group, to form a storage and archiving company with annual turnover of £350m ($588m).

Aker RGI, the Norwegian holding company which owns Constructor, will own 50 per cent of the combined group, while Apax Partners, the venture capital company, will have 42 per cent.

The deal, which comes just nine months after Apax led the £70m buy-out of Dexion from Interlake Corporation of the US, will leave Dexion's management holding the remaining 8 per cent.

Frode Sjursen, president of Constructor and non-executive president of Constructor Dexion, said the company might be listed on the London Stock Exchange within three years.

Mr Sjursen forecast NKr100m ($13.3m) in savings over the next three years through economies of scale in IT and purchasing, and from "critical mass". The company might lay off some of its 3,200 staff, he added, as it consolidates in Europe, North America and South America.

Neil Coutts, chairman and chief executive of Dexion, who will keep the same roles in the merged Constructor Dexion Group, said there was little overlap between the two companies.

"Constructor gives us a presence in the US [through its Richards-Wilcox archive business] and more critical mass in the Far East. The more spread you are in a downturn, the better," he said. There would also be opportunities to cross-sell products between the two groups.

Aker, whose investments span oil and gas, concrete, seafood, property and Wimbledon football club, said the merger would create one of the top four storage and archiving systems companies in the world. Mr Sjursen added that it would bring Constructor back into profit after net operating losses in 1996 and 1997.

"We have combined two of the best brands," he said. "Dexion is number one in the UK in racking and shelving systems, and Constructor is number one in the world in archive systems. Now we have one-stop supplying all over the world."

In their last financial years, Dexion made operating profits of £9.2m from turnover of £173m, while Constructor made £10.1m profit from sales of £161m.

The merger will make Constructor the fifth largest of Aker's companies. No cash is changing hands between the two parent companies, which expect to receive regulatory approval by the end of October.

Tesco up 6% but sales growth slows

By Peggy Hollinger

Tesco, Britain's biggest supermarket group, yesterday reported a sharp slowdown in current trading, confirming a widespread malaise affecting the industry in recent months.

The group, which reported interim pre-tax profits up 6 per cent to £371m ($612m) on turnover 7.2 per cent ahead to £8.3bn, said comparable sales in the first five weeks of the second half were 2.5 per cent ahead.

This compared with an 8 per cent rise in the same period last year and like-for-like growth of 4.8 per cent in the first half. Terry Leahy, chief executive, acknowledged that Tesco's sales growth in the UK was slowing, but said it still compared favourably with the industry's 1 per cent in the past two months.

Moreover, the competitive conditions had changed, with the biggest participants beginning to show similar rates of growth. "Clearly some of the slowdown is the economy, some is weather related and some is convergence in performance in our sector," he said. "But you can expect us to plan to be at least in the middle or at the top."

Analysts said that Tesco, having achieved the dominant position in the market, may be finding it difficult to maintain the sales momentum of recent years in light of the industry slowdown. "Over the last 12 months, sales growth has fallen in a straight line, not only in absolute terms, but relative to the industry," said one.

Mr Leahy was adamant that the group was prepared for a slowdown in the UK and dismissed attempts by rivals Asda and J Sainsbury to steal the high ground on pricing with new marketing campaigns. "We have had a value-based strategy all the way through the cycle and we believe it is the right strategy for a slowdown," he said.

In addition, Tesco planned to open 22 stores in the UK this year, creating an extra 10,000 new full and part time jobs.

Mr Leahy also stressed the potential for Tesco's overseas operations in Ireland, central Europe and Asia.

The Irish business, acquired last year, was performing ahead of expectations after some initial difficulties, he said. Ireland contributed profits of £24m for the 24 weeks to August 15, against £14m for 14 weeks last year. Sales of £599m compared with £368m.

Tesco was also stepping up expansion in central Europe, where it operates in four countries. Plans were for 10 new stores next year, for a total of 18.

Central European sterling sales rose by 3.7 per cent to £140m, although at constant exchange rates turnover was up 20 per cent. The operating loss of £5m, against £3m last time, reflected higher start-up and infrastructure costs because of expansion.

Lotus, the Thai hypermarket chain in which Tesco acquired a controlling stake in May, contributed £30m to sales and recorded a £1m operating loss.

Mr Leahy also confirmed that Tesco Personal Finance, which returned losses of £7m (£3m), was on target to break even by the end of the next financial year.

Lex, Page 18

Odds are stacked against Ladbroke

By David Wighton and Scheherazade Daneshkhu

Peter Mandelson, the trade and industry secretary, is today expected to block Ladbroke's £363m ($610m) acquisition of the Coral betting shop business.

A block would be a blow to Ladbroke, the UK's largest biggest betting shop chain, which bought Coral unconditionally from Bass, the brewer and hotel group.

The Department of Trade and Industry, which received the Monopolies and Mergers Commission's report on the deal in July, is thought to have accepted the MMC's conclusion that the deal be blocked because it would increase Ladbroke's share of the UK's 8,500 betting shops from 22 per cent to 30 per cent.

However, Mr Mandelson is set to give the go-ahead to PowerGen's £1.9bn bid for East Midlands Electricity on condition that it sells some of its coal-fired power stations.

The announcement, expected later this week, will be presented as an important step towards a more competitive electricity market and a "level playing field" for coal.

Ladbroke hoped to avoid a referral by agreeing to sell immediately 133 of the 833 Coral chain to the Tote, the state-owned betting business. It did this to comply with the recommendations of the last MMC investigation into the off-course betting industry in 1989.

However, the MMC is believed this time to have concluded that the betting market should be considered on a national level. Independent bookmakers and William Hill, the second largest chain, have argued against the merger, as have politicians including Robin Cook, the foreign secretary.

The PowerGen bid for East Midlands is less politically sensitive and should speed up reforms of the electricity market which the government hopes will safeguard coal mining jobs.

The government sees plant disposals as essential to increasing competition in generation and reforming a market which it argues is "rigged" against coal.

COMMENT

Barclaycard

It is tough having nearly 30 per cent of the market. Barclaycard's pre-eminence is now being challenged by more than 1,200 other cards. Several offer lower interest rates than Barclaycard and no annual fee. Indeed it is surprising that the grandam has been losing only about one percentage point of market share a year. Barclaycard would point to interest rate discounts and rebates on products as diverse as cars and phone calls. But clearly customer inertia has given it a breathing space, as has the spectacular growth of the market: 15-20 per cent per annum for the past few years.

The cost cuts and technological investment announced yesterday suggest Barclaycard is now making better use of that breathing space. New rivals such as MBNA of the US, operating from greenfield sites, have had an advantage in starting with the latest technology and a lean workforce. Obviously the pressure on margins means Barclaycard cannot afford to carry any fat. But the more interesting question is the extent to which it can exploit the brand, notably in electronic banking. Its early forays into offering services over the internet or by phone prefigure a multi-function card containing a computer chip rather than a magnetic strip.

Such technological developments in retail banking look more central to the group's future than damage limitation in its high-risk Barclays Capital wing.

Alliance & Leicester

Small mortgage, but big family of gas and electricity guzzlers. Sound like you? If so, Alliance & Leicester's new offer – which pays your electricity and gas bills if you take out a mortgage – is just the ticket.

Others may calculate that a simple discount on the mortgage is more advantageous. Bundled offers like this one seldom offer the best of everything, and some will doubtless judge that further complication is the last thing the mortgage market needs.

Still, in a commoditised market differentiation is important, and here A&L's free energy mortgage should succeed. It will snare some London Electricity users, and the energy link will probably discourage remortgaging. With multi-utilities fancying themselves as service providers, it may even be an inspired defensive move.

'Honey, they've shrunk the engineering sector'

The last two years have seen a severe decline in the fortunes and market values of engineers, writes **Peter Marsh**

And another one bites the dust. Dennis, the specialist vehicles group, looks to be living out its last days as an independent company.

The contest between its rivals Mayflower and Henlys to devour it is but the latest manifestation of an extraordinary cull of publicly quoted UK engineering businesses.

Dennis will be the 42nd listed engineering company in the past two years to have changed hands or switched into a different stock-market classification. Over this period the total paid in takeover deals affecting the sector has been £4.56bn. *(See chart).* The rate of shrinkage – affecting the 165 UK engineering companies listed on the main London stock market in October 1996 – is remarkable, even against the background of consolidation affecting many industries.

What is going on? The most important factor is the mounting difficulty that many smaller UK engineering companies have faced in surviving in industries dominated by much bigger international players. Most of the companies – 22 – that have disappeared from the engineering listings since October 1996 have been bought by bigger groups. Twelve of the 22 have fallen into the hands of a non-UK owner.

For example, Ransomes and David Brown, makers of lawnmowers and pumps respectively, have both been gobbled up in the past year for a total of £336m by Textron, the big US industrial company which is keen on expanding in Europe.

Similar expansionary motives lay behind the £86m acquisition last year by Valmet, the Finnish paper equipment group, of Atlas Converting, a world leader in making machines for producing packaging materials. The bigger UK engineering companies have also been snapping up some of their smaller brethren.

Siebe, the UK's third biggest engineer by market capitalisation, has in the past two years bought two smaller engineering groups, APV and Eurotherm, paying £748m in the process as well as buying extensively overseas. Such purchases have been facilitated by a slide in the share prices – and hence market valuations – of many engineering companies, in response to concern about the effects on profits of the high pound and gathering world economic gloom. The drop of one third in the past two years in the combined market capitalisation of the sector, relative to the rest of the stock market, has made many companies relatively cheap to purchasers, particularly from the US.

A further factor is the wave of interest in buyouts of quoted engineering businesses by private investment funds, which have bought six quoted engineers – B. Elliott, UPF, Wellman, William Cook, Concentric and Ipeco – in the past two years, often in partnership with management.

Ian Sellars, a partner in Schroder Ventures, a leading buy-out group, said: "In the past the institutions rarely favoured selling out to a buy-out group because they tended to be criticised for 'giving the companies away' cheaply. But attitudes have changed and the institutions now see this route as a way of creating value for shareholders."

Another trend that has also been encouraged by the low stock-market valuation of many engineering groups has been the switch by some of these companies into other sectors where valuations are higher and growth prospects rosier. For instance, Simon, for years known for its high-level access platforms for mending street lights and similar jobs, has had itself reclassified as a service company.

Likewise Graystone, which has also changed its name to the somewhat snappier-sounding Ring, has moved into distribution, while Roxspur has transferred to the electricals category of the stock exchange listings. LucasVarity, one of the biggest engineering groups on the stock market, has announced its intention of moving out of the UK listings to become a US-headquartered company.

But the traffic is not all one way. During the past two years, 18 companies have moved into the engineering category, either from other sectors or as a new listing. These include Cookson and BTR which were previously classified as "diversified industrials", a category even more unfashionable than engineering.

This brings the net reduction in the number of engineering companies in the past two years to 23.

What lies ahead for the typical UK engineering company?

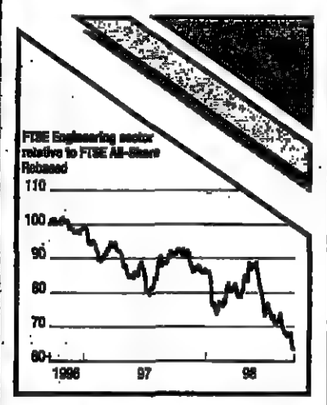
According to Tim Bennett, of Morgan Stanley Dean Witter, such groups will become even more of an endangered species. He reckons stock prices of many of the smaller groups will continue to fall as the UK manufacturing sector suffers a severe slowdown. As a result he expects "the pace of consolidation to accelerate".

David Larkham, of Albert E. Sharp, says that unless some of the smaller engineering companies in the UK have a market "niche" that they can defend successfully, they may find that their days of independence are numbered.

Engineering a takeover

The 10 biggest takeovers in past two years

Company being bought	Acquirer (nationality)	Sum paid (£)
TBN	Federal Mogul (US)	1.6bn
Eurotherm	Siebe (UK)	481m
Howden	Clarter (UK)	380m
APV	Siebe (UK)	327m
Robicon	Applied Power (US)	207m
David Brown	Textron (US)	186m
Triplex Lloyd	Doncasters (UK)	194m
Ransomes	Textron (US)	141m
Bridon	FKI (UK)	131m
Protean	Culligan (US)	106m



Adjustment wipes $45m off Powerscreen

By Robert Wright

Powerscreen International yesterday restated downward its record 1997 pre-tax profits by £26.6m ($44.8m) in a sign that accounting irregularities at the Northern Irish engineer had been more serious than previously thought.

The exercise reduced pre-tax profits for the year to March 1997 from £43.3m to £16.7m, while turnover was reduced from £305m to £290m.

The news came as Powerscreen finally announced its full-year profits for the year to March 1998, days short of a stock exchange deadline that would have seen the shares suspended. The figures covered the period when massive accounting irregularities were discovered at the company's Matbro subsidiary, which made specialist tractors in Gloucestershire. Yesterday's figures showed group pre-tax losses of £47.6m in the year to March 1998 on sales of £311m.

Powerscreen also disclosed yesterday that a report by Price Waterhouse, the accountants, into financial controls at Powerscreen had concluded problems were largely confined to Matbro, although there were problems at Royer Industries in the US and Brown Lenox, a maker of crushing machines.

Total aggregate losses from Matbro were £61.8m, against a budgeted operating profit for the year of £11m. The losses were run up as the company pressed into new markets, some of which were unprofitable. There was also double-booking of sales and other irregularities. Of Matbro's £61.8m loss, £15.6m applied to the year to March 1997. Of the £36.2m prior year overstatement, £7.9m came from Brown Lenox, where some development costs had been improperly capitalised. A further £700,000 restatement applied to Royer Industries, while £2m came from a change in accounting treatment of warranty liabilities, which had not previously been shown as a separate liability.

The company also announced yesterday the sale of US Truck Crane, which makes fork-lift trucks, for $31.5m (£19m) net. The disposal follows a series of other sales, designed to reduce debt in the wake of the problems at Matbro. The disposal programme has brought in £40.5m, including the £7m sale of some of Matbro's own assets to John Deere of the US, leaving Powerscreen's present net debt at £40.4m, down from £53.4m at the year end.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total last year
Aquarius	6 mths to June 30	26.2	(15.7)	3.6	(2.3)	10.72†	(7.53)	3.4	Nov 23	3.31	-	9
Benchmark	Yr to June 30	23.8♦	(9.28♦)	19.7▼	(4.22▼)	13†	(7.8)	1.85	Nov 6	nil	3.5	3
Breedon	6 mths to July 31	8.08	(6.88)	2.15	(1.77)	5.36	(4.21)	2.31	Oct 30	2.1	-	5.8
Clinical Computing	6 mths to June 30	1.66	(1.37)	0.205▼	(0.078)	0.8	(0.3)	-	-	-	-	-
Crostacare	6 mths to June 30	26.9	(24.9)	1.92♦	(2.57)	0.7	(1)	0.33	Nov 2	0.31	-	1
Gyrus	Yr to June 30	5.7	(1.56)	4L	(2.45L)	14.9L	(14.3L)	-	-	-	-	-
ICM Computer	Yr to June 30	35.9	(34)	2.7♦	(1.44)	8.7	(4.2)	1.75	Nov 26	-	1.75	-
Metalrax	6 mths to June 30	52.7	(50.9)	6.31	(5.73)	3.44	(3.1)	1.25	Oct 30	1	-	4.15
Raven Resources $	6 mths to June 30	25.8	(20.1)	5.71L	(2.2L)	9.04L	(3.39L)	-	-	-	-	-
Oxford Glyco	6 mths to June 30	1.27	(0.893)	4.68L	(3.82L)	15.68L	(19.67L)	-	-	-	-	-
Powerscreen	Yr to Mar 31★	310.6	(289.7)	47.6L♦	(15.8)	54.1L	(6.68)	nil	-	7.4	3.1	10.2
Screen Φ	6 mths to June 30	2.22	(1.32)	0.457L▼	(0.004▼)	0.196L†	(0.002)	-	-	-	-	-
Secure Banking	6 mths to June 30	-	(-)	5.4	(5.06)	24.8	(23)	8¾	Nov 6	7	-	23
Sentry Farming	6 mths to June 30★	2.74	(3.83)	1.06L	(0.774L)	9.7L	(6.9L)	-	-	-	-	3
Sytner	6 mths to June 30	137.8	(88.7)	3.75	(2.3)	11.8†	(8.7)	2.6	Oct 27	-	-	-
Tarmac	6 mths to June 30	1,512	(1,438)	48.7	(38.6)	3.2†	(2.5)	3	Dec 2	3	-	5.65
Tesco	24 wks to Aug 15	7,676	(7,162)	365♦	(346♦)	3.87	(3.7)	1.26	Nov 30	1.18*	-	3.87*
Tudor	6 mths to June 30	9.92	(8.76)	0.876	(0.457♦)	5.25	(2.69)	1.5	Nov 16	1	-	3
United Industries	6 mths to June 30	30.2	(19.6)	0.591♦	(1.42)	1	(2.71)	0.94	Nov 20	0.85	-	2.6
White Young Green	Yr to June 30	30.06	(22.69)	1.36♦	(1.35)	3.6	(4.7)	2.3	Dec 3	1.5	3.8	3.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♦After exceptional charge. ▼After exceptional credit. †On increased capital. ‡Aim stock. $US currency. ♦Gross rental income. ★Comparatives restated. ‡Excludes 10p special. *Adjusted for scrip issue.

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24 HRS GLOBAL OFFSHORE TRADING

First dividend from CrestCo

By Christopher Brown-Humes

CrestCo, which operates the Crest electronic settlement system for share dealing, is to pay its first dividend and give customers £5m ($8.25m) in rebates after an unexpectedly big rise in profits.

The company, which was formed in 1996, said a £3.5m dividend would be paid to the 70 shareholders who had helped fund the costs of building the settlement system. The payment will be £143.74 per £500 share.

The £5m rebate next April will go to the 5,000 brokers, custodians, institutions and fund managers who use the system. It is equivalent to a 15 per cent rebate on 1998 tariffs. It lowers the effective cost of each transaction from 60p to 51p.

First-half turnover rose from £17.8m to £27.3m while pre-tax profits increased from £5.3m to £11.4m.

CONTRACTS & TENDERS

AZIENDA CONSORZIALE TRASPORTI - TRIESTE-ITALY

Solicitation for the expression of interest in participating in partnership and the consequent presentation of a company idea/project

The Transport Consortium of Trieste (A.C.T.), in order to guarantee better management of competitions for concessions ex lege 422/1997 and Regional Law Friuli-Venezia Giulia 20/1997, hereby announces a solicitation for the expression of interest in participating in partnership and the consequent presentation of a company idea/project dedicated to determining a suitable company structure to reply to regulations in force and market demands, from among the following options considered feasible:

a) the formation of a specific purpose company in the form of an external open consortium ex art. 2612 of the Italian Civil Code;

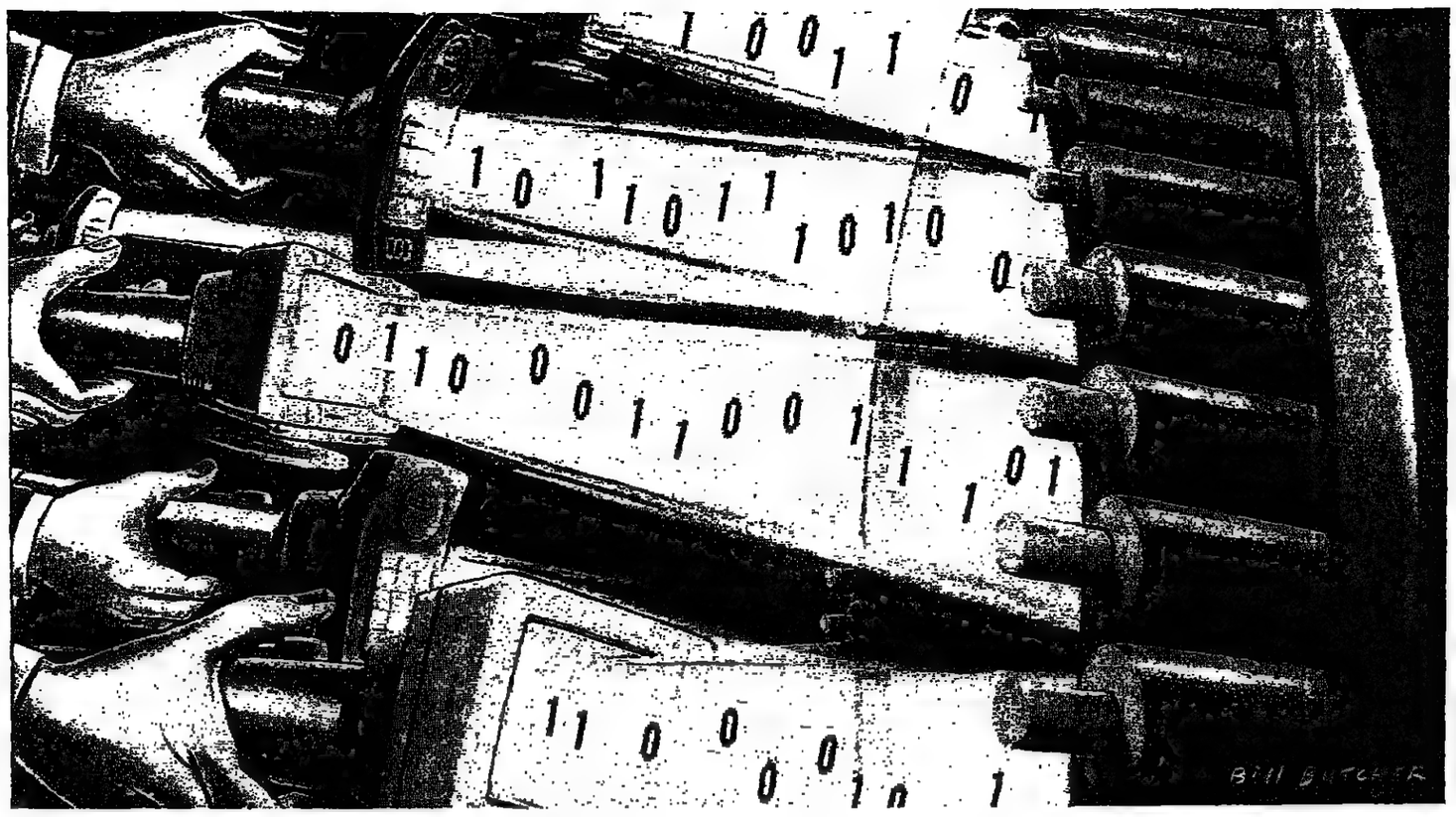
b) the transformation in S.p.A. (joint stock company) of the special consortium company with unilateral act ex art. 17, sub-section 51 of Italian Law 127/1997;

c) the destination to the S.p.A. of one or more branches of the special consortium company, again with unilateral act ex art. 17 sub-section 57 of Italian Law 127/1997.

The final deadline for the presentation of expressions of interest is 12.00pm on 16th October 1998.

Further information is available from the General Management of A.C.T. in Via d'Alviano 15 - 34144 Trieste, Italy, Tel. ++39 040 7795213, Fax ++39 040 7795257 from 8 am to 1 pm, Monday to Friday.

THE GENERAL MANAGER
Dott. Ing. Aldo de Robertis



INFORMATION TECHNOLOGY OPTICAL NETWORKS

Widening the superhighway

Richard Poynder on new technologies that maximise the capacity of fibre optic telecommunications systems without the need to lay more cables

Widening a motorway in order to add lanes and expand capacity is costly and arouses environmental concern.

By contrast, increasing capacity on the information superhighway, by laying new fibre optic cable – the hair-thin glass fibres that make up the bulk of telecommunications "backbones" – is good value and less controversial.

Now, thanks to recent advances in a technology called wave division multiplexing (WDM), huge increases in the bandwidth of existing networks can be achieved without even laying new fibre – adding more lanes without adding width or building a new road.

WDM works by simultaneously sending separate light signals down the same fibre optic cable. By transmitting the signals as different colours (which have different light wavelengths) each signal acts as a unique "channel", capable of carrying its own information stream. "It's like shining different coloured torches down a single pipe and in so doing being able to transparently carry them all at once," says Barry Flanigan, an analyst at Ovum, the IT analysts.

Even without WDM, modern fibre optic cable can take about 32,000 phone calls simultaneously. Using WDM to transmit an additional light signal, telecoms operators can double bandwidth at a stroke. Moreover, the technology has recently been refined to the point where it is possible to transmit multiple colours simultaneously, and today's systems can send eight, 16, 32, 40 and even 80 wavelengths down a single fibre.

"Using 40 channels, we are now putting 1.3m simultaneous voice conversations down that one fibre," says Dennis Bilter, marketing director at Ciena, a US-based WDM specialist.

WDM, already deployed in the majority of US trunk routes, is now being introduced by European carriers. Cable and Wireless has made 2,000km of terrestrial cable WDM-capable, and BT is installing it into parts of its trunk routes in England.

The aim is to prepare networks for the "data wave" that is being pushed forward by internet traffic. "Volumes are increasing year on year," says Stuart Davies, BT's director for network product design and management. "And we believe data traffic will overtake voice traffic as early as 2002."

Prior to WDM the only way to expand the capacity of a fibre optic network – apart from laying new cable – was to increase the speed with which the signal was transmitted, using a technology called time division multiplexing, or TDM. Like vehicles travelling along a motorway, however, increasing the speed of optical wavelengths makes it more likely that they will crash, or impede each other. While methods continue to improve, the current optimum for efficient TDM transmission is 2.5 gigabits per second (gbps).

Where TDM is analogous to increasing throughput on a motorway by raising the speed limit, WDM widens the motorway by building additional "lanes" – although the two methods are complementary. By combining TDM with a 16-channel WDM system, BT's new implementation has transformed a single 2.5gbps fibre into a 40gbps pipe.

The secret behind WDM is that fibre transmission technology significantly lags behind the carrying capabilities of fibre – so the room for the extra lanes already exists in the fibre.

"Until now fibre cable has used only 1 per cent of the intrinsic capabilities of glass," says Mr Bilter.

'We believe data traffic will overtake voice traffic as early as 2002'

There is, therefore, significant scope for further improvements. "I think in five years' time we will see 500 channel systems running at 10 gigabits a channel," says Ron Mackey, executive vice-president for technology at Osicom Technologies, a California-based WDM developer.

Advocates for WDM believe that in the long term the technology has even greater significance, and holds out the promise of the all-optical network. As they evolve from yesterday's voice systems to tomorrow's data highways networks are becoming increasingly optical in nature – because photons can be pushed faster than electrons.

Currently, however, electronic signals remain easier to manipulate, so signal routing is still done electronically.

"Optical signals have the problems associated with any analogue signal," says Jose Daza, business development director at Ericsson, the Swedish telecoms equipment group. "They can be degraded, they introduce noise, they suffer from dispersion – and we still don't have the mechanisms to control them properly. So, today we control them by converting them back to the electrical domain."

Consequently, at every node in the network signals are converted from the optical to the electrical domain in order to route them, and then back to the optical domain to send them further through the backbone – a process that slows traffic and requires expensive hardware. By splitting traffic into a number of smaller signals, rather than one large one, WDM enables some of them to be routed in the optical domain.

Optical signals are now able to transparently by-pass nodes along the network – in the way that express trains by-pass certain railway stations.

However – among other things – an all-optical network would require WDM to be available throughout the network. Today deployment costs restrict its use to long-distance networks and larger city hubs.

One possible solution lies in photonic circuitry – using electronic chip technology to build optical integrated circuits. Bookham Technology, a small UK company, is developing a 16-channel WDM system that can sit on a single 10mm sq optical chip. "We anticipate these will sell for around $100 a chip," says Robert Green, vice-president for business development at Bookham. "Today a similar system costs around $32,000."

According to Mr Flanigan, "It is inevitable that we will evolve to an all-optical network, which would mean having WDM right throughout the system. But the big issue is: how quickly will that happen?"

JOHN W. HUNT
ADVISES

Step up and show them who's boss

Taking up the role of chief executive when your predecessor stays on as chairman can be uncomfortable – especially if he's a gorilla

Dear Professor Hunt,
How can I make clear that I'm now the person in charge? I'm the chief executive of a listed company and 18 months ago I succeeded a very strong individual who moved up to become chairman of the board. Since then, I've tried to establish my reputation and to attract some credit for what I've been doing. But the press, City analysts, financial advisers, important clients and the industry grapevine still think he is in the driving seat. How can I stop them seeing me as the chairman's puppet?

Corporate histories are full of examples of this phenomenon: a dominant chief executive is elevated to the chair and is succeeded by a less authoritarian individual who remains in their predecessor's shadow.

It happens in politics, too, but at least the dominant individual generally moves out of their successor's way.

In business the dominant manager – whom I will call, with all due respect, the "gorilla" – often stays as chair of the board.

The dominant chief executive gathers round himself or herself a team of people who can compensate for their authoritarian chief's perceived insensitivity, and who allow an acceptable level of social equilibrium to be achieved. This equilibrium depends on a balance between dominance and submission: being focused on the task in hand, or geared more to people.

When the non-executives of the board begin to make noises about succession they invariably look for someone just like the outgoing gorilla. But bringing in another gorilla to replace the one heading upstairs is less likely to generate equilibrium than fireworks. Just as two equally dominant individuals have a low survival record in marriage, so the same is true at the helm of a business. If the gorilla retires completely, finding another authoritarian chief executive is one option. But if the current chief executive is to become chair, this tactic can be disastrous.

Business history is full of examples where it has not worked out. Remember when the board of retail operation Kingfisher appointed Marks & Spencer's Alan Smith as chief executive to work with newly elevated chairman Sir Geoff Mulchay? And was anyone really surprised that Lord Young (chairman) and John Ross (chief executive) had problems at Cable and Wireless? The only remarkable thing about their relationship was that it remained private for so long.

Personality clashes often arise from acquisitions or mergers. I cannot believe that Sir Richard Sykes, chair of Glaxo Wellcome, really thought he could work in partnership with Jan Leschly of SmithKline Beecham. And while commentators have criticised both men for their inability to come to a deal, we should think of the potential costs to the highly successful British pharmaceutical industry had they pretended their styles were complementary.

In contrast, there are those companies where the succession question is well understood. For example, at Procter & Gamble there is an expression that the "white hat" (people oriented chair) will succeed the "black hat" (task oriented chair). In fact, such a change has just been announced: the tough Durk Jager is to succeed the approachable John Pepper.

So, what can you do in your situation? Let me suggest some tactics:

- Do not try to compete with the dominant ex-chief executive, now chair. Gorillas generate myths and some eventually become legends. This is how we ordinary people learn to accept their power. If you are the successor to a legend, exposing the hero is a dangerous game. Dismantling a legend takes time and in today's demanding market you do not have that sort of time. What's more, this could have damaging effects on the company's reputation with various stakeholders.
- Select an issue of principle on which to take a stand. Gorillas do not like what they perceive to be weaker people. If you are seen to be a walkover, your days are numbered. So, select the issue carefully, and prepare your case. Elicit support from one or two trusted non-execs and confront your boss. Having done this once you will find it easier next time, but you should not see confrontation as your prime tactic.
- While the temptation may be to distance yourself from your predecessor, the reverse is a better tactic. Stay as close to the chair as possible so you know what he is up to. You will probably find that his weaknesses are your strengths.
- Support your chair, especially in public. Association establishes reputations so indulge yourself in using your chair's reputation. Observe how he works, how he communicates, how he networks. Do not compete at his game. You are a different person with different skills.
- Most effective leaders manipulate the media brilliantly. But you need to sell your story. Frequently the chair will insist that the public relations operator who served him well remains in post. In this case, get your own.
- Wherever possible ensure the chair is occupied in other activities, such as additional directorships, foreign visits or government committees. With less time to meddle in your patch, he will have less impact.
- Finally, talk to him daily. Don't be afraid to discuss how you feel about your relationship. Explain that you are seen to be powerless, that he is still seen to be running the business and that this impression is reinforced by his dominance at meetings.

You should focus on the certainty that having built an empire, he will not contemplate the possibility that it will someday decline. If he is to guarantee his place in history, he must leave a success and must resolve the issue of succession. Your chair knows his days are numbered and that he must allow you your turn.

The problem is that such dominant ex-chief executives often do not understand how to make the transition. What seems blindingly obvious to you is much less clear to him. He wants reassurance that you will preserve and develop the empire.

If you need reassurance, you should remember that your chair needs you more than you need him. There is always a market for good chief executives; there is a very limited market for famous gorillas in their 60s.

But awkwardness and antagonism need not dominate your relationship. Your great fortune is that you share an obsession with the company both in career and financial terms.

Further, you can assume with some certainty that after 30 years of the same old story the chair's family and close friends are tired. They want to hear the next instalment. You are in a unique position to discuss and develop that story to your mutual advantage.

John W. Hunt is Professor of Organisational Behaviour at London Business School and a consultant to private and public sector clients. This column appears fortnightly.

LOUISE KEHOE
IN SAN FRANCISCO
EAGLE EYE

Remastering the family snaps album

Intel and Kodak are launching a service offering digitisation at a price to suit the average pocket

Perhaps one day most cameras will use digital technology, storing images in memory chips rather than on film. In the meantime, Intel and Kodak are working on a joint effort to bridge the gap between silver halide and silicon.

Next week, the companies will launch a service, initially in the US, called Picture CD, offering digitisation of photographs at a price designed to appeal to the taker of family snaps.

Instead of – or in addition to – getting back a set of prints when they send a film off to be developed, users will receive a CD with the photos stored as digital images. These images can then be edited – add a moustache to Aunt Sally, erase the tree that ruins the composition of your photographic masterpiece – and then printed, either on a home PC or at one of the kiosks the companies plan to install at retail sites.

The interesting question is whether this service will discourage amateur photographers from buying new digital cameras, or increase sales. My bet is on the latter. Digital image processing has broad appeal. Once consumers get a taste for enhancing their photos, displaying them on web sites and sending them via e-mail, the leap to fully digital photography will not seem so huge.

***

It's an ill wind, as they say. Who could have guessed that President Bill Clinton's travails would prove to be the internet's shining hour? The data are not all in yet, but it appears that hundreds of thousands of people chose to watch the president's grand jury testimony on the web, a week after millions accessed the steamy Starr Report.

It was not just that the internet was there for these historic events, providing an alternative news source for office-bound workers. Rather, the technology added a new dimension to the dissemination of news by giving readers rapid and direct access to the original texts and video, rather than summarising them. Most news sites also presented packages of commentary and quotes.

However, it was not only the journalistic talents of web site writers that drew users to the net, but the chance to see the unedited documents for themselves.

Unlike television with its soundbites, and printed publications with their space limitations, internet pages can be as big as the author cares to make them.

At worst, this can lead to long, undisciplined diatribes. At best, it enables the presentation of important texts in their entirety: an advantage that came to the fore with the latest news from Washington.

What does this mean for the future of internet news? Perhaps it will encourage web site news editors to exploit more fully the potential of the medium. Web pages at their best are multidimensional, with links that enable the reader to scan a summary or to seek out more background on a subject, access other relevant information sources, or look at original documents.

While many news web sites use these features, too many are flat electronic parodies of the television stations, newspapers and magazines with which they are affiliated. Internet news has grabbed the world's attention. Now the real challenge is to keep it.

***

In case anybody thought fears about computer security were overblown, a very public hacking incident has put the topic back in the headlines.

Some 10 days ago, hackers invaded the New York Times web site leaving a trail of venom directed at two of its writers, each of whom has written books about hacking.

It is hard for computer security experts not to sound as if they are saying "I told you so" when responding to such incidents. However, Tom Noonan, chief executive of Internet Security Systems, points out that the security systems installed on newspaper web sites are similar to those used by many computer retailers. Not a comforting thought.

***

Internet auctions have their downside, I've discovered, since dallying with them a few weeks back. It seemed an amusing pastime during my summer break, but the results have not been quite what I expected.

Of the five items I put up for auction, all sold at or above the asking price. However, only two of the buyers actually sent money to purchase the goods. One of the buyers has been impatient with my ability to deliver.

That is typical, according to Larry Schwartz, chief executive of Auction Universe. "Accidental fraud" as it is delicately termed, is rife among participants in online auctions. In most cases, failure to pay for goods or to deliver goods on time is entirely innocent, he explains. "Somebody posts an item for sale and then goes off on vacation. The item sells, but they are not there to deliver."

Once consumers get a taste for enhancing photos, the leap will not seem so huge

Similarly, people bid on items for fun, not really expecting to make the purchase and then find themselves obligated.

Auction Universe *(www.auctionuniverse.com)* has created a system to eliminate the risk. For a fee, the company will act as the intermediary, providing assurance that the goods are delivered and paid for with a money back guarantee. If something goes wrong, the company takes the loss.

This is one of the latest examples of a new generation of intermediaries being spawned by electronic commerce. Contrary to the notion that the internet will cause widespread "disintermediation" by bringing buyers and sellers directly together, the technology is in fact creating new types of agency.

Some, such as travel agents, have adapted their roles to the internet, while others are entirely new. Consumers and small businesses, who lack the buying power to put pressure on a supplier, need somebody who will take responsibility for the satisfactory completion of a purchase.

It is all very well to buy your carpet, dishwasher or office furniture at a trade price from a wholesaler, but what if you don't like what you get or feel you have been charged too much? Outside the retail world, buyers are supposed to be knowledgeable. Consumer protection rules may not apply and contract law is far too expensive to pursue for a small purchase.

Enter the new internet intermediaries. There are electronic loan brokers, comparison buying services and numerous other new intermediaries piling on to the net in order to ease the transition to electronic commerce.

It was inevitable, perhaps, that this would happen. Electronic commerce brings new ways for buyers and sellers to communicate, but it does not change human nature.

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هكذا من الأصل

IN SAN FRANCISCO
EAGLE EYE
Remastering the family snaps album

صكنا من الاجل

EQUITIES

Europe's see-saw rises back up

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

European markets continued their see-saw pattern of the last few weeks, rebounding after Wall Street's positive reaction on Monday to President Bill Clinton's video testimony.

The FTSE Eurotop 100 index gained 51.59, or 2.3 per cent, to 2,322.64 while the broader Eurotop 300 index rose 23.7 to 1,010.57. The FTSE Ebloc 100 index, which focuses on stocks in the core single currency countries, underperformed the other two on Monday but regained some ground yesterday, rising 23.21 or 2.9 per cent to 829.82.

Virtually every sector moved higher on the day, save for tiny falls in diversified industrials and household goods and textiles. In the former, Vivendi fell Ecu 6.6 to Ecu 173.3, after the placing of its stake in Telewest was pulled on Monday.

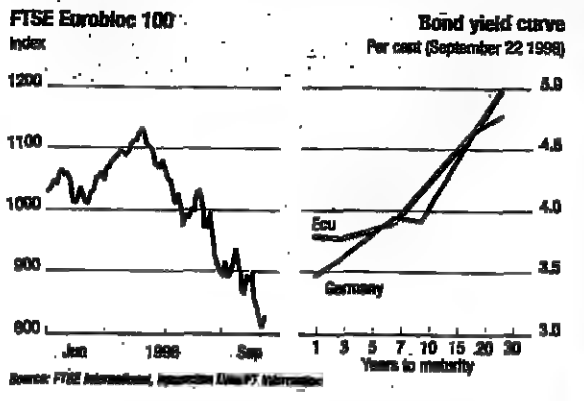
The best sector of the day was information technology, which has been battered in recent sessions by earnings worries. But Lehman Brothers upgraded SAP (up Ecu 37.7 to Ecu 435.03 in the preference stock) and Goldman Sachs reiterated its recommended list rating on Cap Gemini, which rose Ecu 3.8 to Ecu 110.12. The sector moved 7.5 per cent higher.

The construction sector was also strong as Bouygues, the French group, produced results. The shares, which had fallen sharply on Monday ahead of the figures, rebounded Ecu 7.9 to Ecu 144.75.

Utilities, one of the best performing market groups during the recent sell-off, which began in mid-July, underperformed yesterday and bonds lost some of their safe haven shine.

Peter Oppenheimer, global strategist at HSBC Securities, is fairly upbeat about the prospects for Europe. He says that European economic growth is still strong, double digit profit growth is still possible in 1999, interest rates could fall and the return on capital for European corporates should improve. "Those facts are not consistent with a structural bear market," he believes.

Oppenheimer thinks European stock markets could see "one more shift lower" in the face of, perhaps, Latin American devaluations but then should be able to form a solid base.



Source: FTSE International, Interactive Data/FT Information

THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov	-	95.880	-0.005	-	-	0	0
Mar	-	96.460	-0.015	-	-	0	8155
Jun	-	96.435	-0.020	-	-	0	1981
Sep	-	96.405	-0.025	-	-	0	1333

THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Oct	Nov	Dec	Mar	PUTS Oct	Nov	Dec	Mar
96375	0.040		0.100		0.090		0.150	
96500	0.010	0.020	0.055	0.180	0.185	0.165	0.230	0.190

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	2340.0	2348.0	+83.0	2370.0	2340.0	77	8146
Mar	-	2365.5	+83.0	-	-	0	117

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2250 C	2250 P	2300 C	2300 P	2325 C	2325 P	2350 C	2350 P	2375 C	2375 P	2400 C	2400 P	2425 C	2425 P	2450 C	2450 P
Oct	189	79	136	98	120	105	100	117	83	120	80	141	80	160	58	171
Nov	228	127	186	150	180	150	160	170	182	182	139	194	127	208	118	219

Est. vol. [illegible]. Prev day's open interest total: 4,672. Previous [illegible] are based on settlement prices.

OTHER INDICES

	Sep 22	Sep 21	Sep 18	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	2782.61	2709.98	2821.30	3670.88	2574.51	3670.82	2708.98
DJ Euro Stx 50	2728.32	2658.27	2781.68	3658.48	2488.81	3658.48	2658.27
MSCI Europe	(u)	982.69	1021.81	1312.67	980.50	1316.85	810.78

Source: Extel/part of FT Information. *Subject to revision next day. (u) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

September 22 Sectoral & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj yld	Total retn (Ecu)
FTSE Eurotop 300	1010.57	+2.40	+23.70	2.76	23.01	1038.13
FTSE Eurotop 100	2322.64	+2.27	+51.59	2.77	34.64	830.69
FTSE Ebloc 100	829.82	+2.88	+23.21	2.43	14.08	841.42
FTSE Eurotop 300 Regions						
Eurobloc	1046.72	+2.68	+27.37	2.42	20.54	1068.05
UK	981.58	+2.32	+21.80	3.29	29.97	1004.17
Europe Ex-Eurobloc	983.41	+2.11	+20.33	3.13	24.45	1014.76
Europe Ex-UK	1039.41	+2.44	+24.80	2.50	19.11	1058.02
FTSE Eurotop Industry Sectors						
RESOURCES	841.45	+3.24	+26.38	3.44	25.78	876.40
Extractive Industries	714.19	+2.24	+15.63	4.90	14.54	729.27
Oil, Integrated	815.06	+3.28	+25.88	3.38	18.25	831.31
GENERAL INDUSTRIES	895.78	+1.15	+10.22	3.08	19.82	913.33
Construction	788.01	+6.80	+47.40	3.35	11.06	848.67
Building Matls & Merchts	755.22	+1.42	+10.59	2.97	8.96	761.74
Chemicals	789.81	+0.81	+6.94	3.14	16.87	782.83
Diversified Industrials	870.03	-0.06	-0.51	2.49	17.48	884.96
Electronic & Elect Equip	704.16	+2.15	+14.83	2.34	4.89	707.58
Engineering	762.66	+0.63	+4.75	4.33	10.88	771.10
Paper, Pckg & Printing	879.13	+1.38	+11.04	3.46	1.21	879.98
CONSUMER GOODS	1034.20	+1.74	+17.72	1.78	15.69	1059.79
Automobiles	791.93	+1.28	+10.00	3.30	10.25	799.27
Alcoholic Beverages	765.71	+3.32	+24.62	2.88	8.48	770.95
Food Producers	844.30	+4.02	+32.63	1.78	8.79	852.59
Household Goods & Txtls	838.22	-0.12	-1.03	2.32	7.01	843.69
Healthcare	866.20	+4.43	+36.78	1.37	9.52	875.00
Pharmaceuticals	933.80	+0.64	+5.98	1.39	4.81	938.40
Tobacco	1167.80	+4.78	+53.07	4.11	6.81	1174.22
SERVICES	1082.78	+3.04	+31.41	2.35	21.28	1090.80
Distribution	730.28	+4.94	+34.37	2.98	11.37	738.50
Leisure & Hotels	653.98	-0.06	-0.41	3.63	12.27	662.54
Media	950.26	+2.90	+26.75	2.43	10.39	960.08
Retailers, Food	974.40	+2.43	+23.13	2.94	11.37	985.68
Retailers, General	931.26	+2.48	+22.35	3.89	16.53	948.43
Telecommunications	966.81	+2.32	+27.13	2.02	18.02	968.44
Breweries, Pubs & Rests	706.13	+2.53	+17.40	3.82	14.80	716.87
Support Services	850.08	+2.80	+21.51	1.67	8.08	857.88
Transport	880.82	+3.02	+25.84	2.79	18.00	893.98
Information Technology	920.57	+7.50	+64.22	0.39	2.23	923.05
UTILITIES	1366.86	+1.22	+16.58	3.22	53.32	1440.84
Electricity	1026.42	+1.04	+10.52	3.41	28.23	1053.84
Gas Distribution	1063.82	+1.45	+15.18	1.71	84.81	1181.79
Water	1079.15	+1.86	+19.72	4.73	38.72	1120.36
FINANCIALS	1026.91	+3.06	+30.90	3.24	28.69	1066.34
Banks,Retail	711.98	+3.23	+22.26	4.28	12.59	721.16
Insurance	815.42	+2.77	+21.97	1.71	11.48	824.84
Life Insurance	950.67	+3.87	+35.40	2.02	11.18	981.13
Other Financial	731.28	+1.27	+9.16	2.79	15.86	743.46
Investment Companies	837.42	+0.93	+7.75	3.05	20.86	853.06
Property	784.24	+0.89	+8.74	3.08	18.01	778.28

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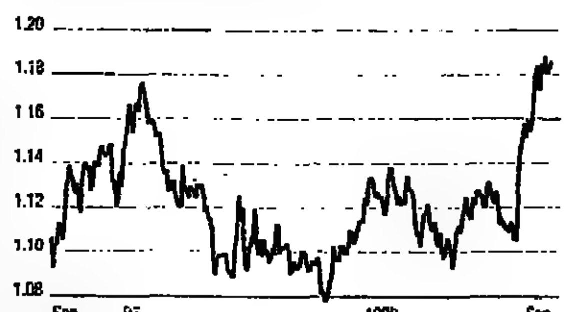
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Sep 22	Currency code	Closing mid point	Change on day	Change on day %	Change on week	Change week %
Europe						
Austria	ATS	14.055370	-0.0046	-0.03	-0.0047	-0.03
Belgium	BEF	41.209959	-0.0015	+0.00	-0.0103	+0.00
Czech Republic	CZK	36.247218	-0.3885	-1.12	+0.2498	+0.69
Denmark	DKK	7.600013	-0.0221	-0.29	-0.0214	-0.28
Finland	FIM	6.081907	-0.0025	-0.04	-0.0015	-0.02
France	FRF	6.696974	-0.0030	-0.05	-0.0029	-0.04
Germany	DEM	1.997545	-0.0006	-0.03	-0.0005	-0.03
Greece	GRD	342.975695	-2.3510	-0.68	-0.2208	-0.06
Hungary	HUF	259.992637	-0.0801	-0.03	+0.4544	+0.18
Ireland	IEP	0.797880	-0.0011	-0.14	-0.0004	-0.06
Italy	ITL	1973.655916	-0.4091	-0.02	-0.0645	-0.00
Luxembourg	LUF	41.209959	-0.0015	+0.00	-0.0103	-0.03
Netherlands	NLG	2.252914	-0.0002	-0.01	-0.0005	-0.02
Norway	NOK	8.898790	+0.0077	+0.09	-0.0132	-0.15
Poland	PLN	4.247851	-0.0243	-0.57	+0.0045	+0.11
Portugal	PTE	204.793108	+0.0007	+0.00	+0.0123	+0.01
Romania	ROL	10738.181983	-20.9920	-0.20	+6.9989	+0.07
Russia	RUB	19.561690	-3.7439	-16.06	+6.5327	+50.14
Slovakia	SKK	41.232465	+0.0020	+0.00	+0.0998	+0.24
Spain	ESP	170.210410	+0.5693	+0.34	+0.5373	+0.32
Sweden	SEK	9.354637	-0.0701	-0.74	+0.1799	+1.96
Switzerland	CHF	1.648161	+0.0050	+0.30	-0.0017	-0.10
United Kingdom	GBP	0.704102	-0.0012	-0.17	-0.0036	-0.51
ECU	ECU	1.016615	-0.0009	-0.09	-0.0010	-0.09
Americas						
Brazil	BRL	1.402988	+0.0000	+0.30	+0.0068	+0.48
Canada	CAD	1.812242	+0.0018	+0.10	+0.0306	+1.72
Mexico	MXN	11.944486	-0.2991	-2.44	-0.1488	-1.23
United States	USD	1.185667	-0.0020	-0.17	+0.0011	+0.09
Pacific/Middle East/Africa						
Australia	AUD	2.034060	+0.0083	+0.41	+0.0452	+2.27
Hong Kong	HKD	9.186268	-0.0148	-0.16	-0.0099	+0.11
Japan	JPY	160.348576	+1.8922	-1.19	+3.1080	+1.97
Singapore	SGD	2.053977	-0.0046	-0.23	+0.0114	+0.56
South Africa	ZAR	7.030353	-0.2428	-3.34	-0.2541	-3.49

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3384 FRF 0.2217, ITL 0.1827 NLG 0.0577, BEF 0.0396, ESP 0.0848, IEP 0.0116, PTE 0.0155 ATS 0.0323, FIM 0.0187



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

Sep 22	Fixed rate	Market rate	Diff fxd rate %	Week ago %	Forward rate	Forward Int rate	Diff int rate v DEM
Austria	7.03552	7.0363	+0.01	+0.01	7.0375	3.54	+0.06
Belgium	20.6255	20.6303	+0.02	+0.02	20.6394	3.65	+0.17
France	3.35386	3.3526	-0.04	-0.05	3.3533	3.61	+0.13
Finland	3.04001	3.0447	+0.15	+0.16	3.0452	3.54	+0.06
Ireland	0.402676	0.3995	-0.79	-0.79	0.4016	5.41	+1.93
Italy	990.002	988.0408	-0.20	-0.23	991.9111	4.92	+1.44
Luxembourg	20.6255	20.6303	+0.02	+0.02	20.6396	3.65	+0.17
Netherlands	1.12674	1.1278	+0.09	+0.09	1.1277	3.45	-0.03
Portugal	102.505	102.5224	+0.02	-0.02	102.7105	4.15	+0.67
Spain	85.0722	85.2798	+0.16	-0.17	85.4029	4.31	+0.83
Germany	1		+0.00	+0.00		3.49	-0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2-3. Forward rates are exchange rates to 31.12.98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates. Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31.12.98. DEM forward interest rate for 31.12.98 is calculated by interpolation between published BBA market rates.

BONDS

INTEREST RATE SWAPS

Sep 22	D-Mark Ask	D-Mark Bid	Ecu Ask	Ecu Bid	£ Stlg Ask	£ Stlg Bid	US $ Ask	US $ Bid	Yen Ask	Yen Bid
1 year	3.66	3.63	3.87	3.83	7.04	7.01	5.24	5.21	0.47	0.44
2 year	3.725	3.695	3.85	3.81	6.57	6.53	5.14	5.11	0.6	0.57
3 year	3.835	3.805	3.92	3.88	6.42	6.38	5.18	5.15	0.76	0.73
4 year	3.95	3.92	4.015	3.975	6.36	6.31	5.24	5.21	0.89	0.86
5 year	4.06	4.03	4.11	4.07	6.26	6.22	5.31	5.28	1	0.97
6 year	4.165	4.135	4.21	4.17	6.17	6.13	5.34	5.31	1.09	1.06
7 year	4.25	4.23	4.3	4.26	6.08	6.04	5.41	5.38	1.2	1.17
8 year	4.36	4.32	4.385	4.345	6.01	5.97	5.46	5.42	1.28	1.25
9 year	4.44	4.41	4.475	4.435	5.97	5.93	5.51	5.48	1.38	1.35
10 year	4.53	4.5	4.56	4.52	5.96	5.91	5.54	5.51	1.47	1.44
12 year	4.675	4.645	4.71	4.66	5.94	5.88	5.61	5.58	1.67	1.63
15 year	4.835	4.805	4.86	4.81	5.93	5.86	5.73	5.7	1.87	1.83
20 year	5.025	4.985	5.045	4.995	5.91	5.84	5.82	5.79	2.07	2.02
25 year	5.125	5.095	5.135	5.085	5.91	5.82	5.87	5.84	2.16	2.11
30 year	5.185	5.155	5.205	5.155	5.91	5.81	5.92	5.89	2.24	2.19

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months LIBOR, £ and Yen quoted on a semi-annual actual/365 basis against 6 months LIBOR, D-mark and Ecu quoted on annual bond 30/360 basis against 6 month LIBOR with the exception of the 1 year rate which is quoted against 3 months LIBOR. Source: Intercapital Brokers Ltd.

EUROZONE CORPORATE BONDS

Sep 22	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible issues								
Belgium Kingdom of	03/08	5.750	NA	111.500	4.25	+0.04	-0.35	+0.09
France (Rep of)	04/08	5.250	N/A	104.130	4.00	+0.03	-0.30	-0.08
Italy (Rep of)	05/08	5.000	AA	104.930	4.36	-0.02	-0.21	+0.20
Portugal (Rep of)	05/08	5.375	AA-	108.150	4.33	+0.01	-0.33	+0.17
Euro Issues								
Abbey Natl Treas Srv	02/03	4.875	AA	105.360	4.02	+0.03	-0.14	+0.19
Gen Electric Cap Crp	10/04	5.500	AAA	107.370	4.00	-0.05	-0.22	+0.14
Dest Kontrollbank	04/05	5.250	AAA	106.070	4.30	+0.03	-0.18	+0.22
Cred Local de France	04/00	5.250	AA+	105.620	4.51	-0.02	-0.22	+0.35
Ecu Issues								
Bayer Hypo & Wech Bk	07/01	5.000	AA-	102.527	4.02	+0.02	-0.01	+0.25
Cred Foncier France	03/04	9.375	A	118.350	4.81	+0.05	-0.27	+0.68
Euro Inv Bank	04/04	5.250	AAA	106.630	3.89	+0.01	-0.28	+0.03
ABN Amro Hldg. NV	04/07	6.375	AA-	111.065	4.77	+0.03	-0.03	+0.08

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Emu "in" sovereigns and fungible into one big Euro issue 1.1.99. Euro issues are issued in the new currency. Ecu bonds are issued in Ecu, but convert to Euro 1.1.99.

GOVERNMENT BOND SPREADS vs ECU

Sep 22	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
Austria	-0.01	+0.11	+0.19	+0.07	-0.10	+0.14
Belgium	-0.06	+0.08	+0.13	+0.10	+0.14	+0.07
Finland	-0.13	+0.19	+0.29	+0.25	-0.25	-0.57
France	-0.11	-0.06	-0.08	-0.06	-0.05	-0.15
Germany	-0.16	-0.08	+0.04	-0.24	-0.01	-0.20
Ireland	+0.36	-0.04	+0.00	+0.16	+0.21	+0.45
Italy	+0.27	+0.31	+0.34	+0.25	+0.15	+0.33
Luxembourg	-0.06	+0.06	+0.13	-0.10	+0.14	+0.07
Netherlands	-0.10	+0.04	+0.07	-0.08	+0.04	-0.15
Portugal	-0.02	+0.19	+0.27	+0.20	+0.47	+0.38
Spain	-0.05	+0.16	+0.24	+0.31	+0.28	+0.22
"Outs"						
Denmark	+1.24	+0.98	+0.97	+0.84	+0.37	+0.97
Greece	+8.12	+5.70	+4.93	+4.06	+3.07	+2.75
Sweden	+0.87	+0.76	+0.80	+0.69	+0.88	+0.36
UK	+2.15	+1.39	+1.23	+0.89	+0.26	-0.31

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

Sep 22	S & P rating	Red date	Coupon	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	+0.13	+0.08	+0.06
France Telecom	AA+	11/06	6.250	FRF	+0.20	+0.19	+0.15
Halifax	AA	07/07	5.625	DEM	+0.37	+0.39	+0.38
Ing Bank NV	AA-	01/08	5.500	NLG	+0.15	+0.18	+0.22
Bayer Hypo W Bk	AA-	02/02	6.750	ITL	+0.36	+0.31	+0.36
Cred Foncier	A	02/03	7.250	DEM	+0.66	+0.56	+0.47
Thomson-Brandt Int	A-	03/04	8.375	FRF	+0.41	+0.40	+0.40
Generale des Eaux	BBB+	03/04	6.250	FRF	+0.35	+0.34	+0.31
Bank of China	BBB	07/09	7.125	DEM	+2.31	+2.78	+2.38
Natl Bk of Hungary	BBB-	06/01	9.000	ATS	+1.43	+1.86	+1.19
Korea Dev Bank	BB+	11/02	5.625	FRF	+8.35	+10.12	+7.87
Argentina	BB	04/08	8.125	XEU	+7.84	+8.23	+5.48

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

FTSE EUROTOP 300

Name	Price (Ecu)	Chge + or -	Mkt cap Ecu(bn)	Vol (m)	Yld
ALCOHOLIC BEVERAGES					
Allied-Dom	9.90	+.2	9.2	1.7	3.9
Carlsberg A	84.04	+5	1.8	-	0.9
Carlsberg B	56.40	+1.7	1.8	-	0.9
Diageo	7.88	+.2	27.2	8.4	4.3
Heineken	41.08	+1.2	12.8	1.3	0.8
LVMH	136.03	+6.6	12.8	0.2	2.5
AUTOMOBILES					
BMW	558.45	+23.1	13.2	-	1.5
Daimler Benz	79.45	+1.2	41.8	0.4	1.7
Fiat	2.90	-	11.6	20.8	3.8
Peugeot	149.18	+8.1	7.5	0.2	0.5
Renault	33.07	-2.0	8.0	1.8	1.8
Volkswagen	65.21	+1.6	21.2	0.8	1.1
Volvo A	20.41	-.2	2.8	0.1	2.7
Volvo B	21.01	-.2	8.4	1.1	2.8
BANKS RETAIL					
ABN Amro	16.31	+.8	23.3	12.0	2.8
Abbey Natl	16.04	-	22.7	1.1	3.6
Alliance & L	12.28	+1	7.2	0.4	3.3
Allied Irish	11.20	+.1	9.6	-	2.8
Almanij	69.40	+.1	12.8	0.1	1.0
Argentaria	17.30	+1.1	8.6	3.5	1.8
Banca Comm	4.50	+.2	8.8	11.1	1.8
Bac Fideuram	3.90	-	3.2	1.7	1.6
Banca Intesa	3.80	+.1	10.1	8.8	0.7
Banca di Roma	1.47	+.1	7.6	24.5	-
Banca Ambro	4.00	+.2	17.7	11.8	2.2
Banco Bilbao	7.82	+.7	8.5	7.7	1.3
Banco Comercial	24.03	-.5	4.8	-	1.8
Banco Popular	55.80	-.2	6.3	0.4	2.3
Banco de Sant	13.13	+1.1	18.1	18.6	2.8
Bank Austria	38.80	-.4	3.2	0.3	2.8
Bank of Ireland	13.87	+.3	7.2	-	2.1
Bank Scot	8.60	+.4	10.7	4.2	2.0
BNP	61.60	+.8	11.1	0.7	2.1
Barclays	15.73	+.4	23.6	4.2	4.5
Bay Hypo Ver	70.36	+6.2	28.2	0.1	1.1
Commerzbank	25.52	+.4	13.1	0.8	3.0
CCF	54.22	+.5	4.8	0.3	1.8
CS Group (Re	108.60	-.3	28.2	2.0	2.8
Credito Ital	3.80	+.3	11.8	6.8	1.7
Danske Bank	95.09	+2.9	6.0	0.2	2.6
Deutsche Bnk	50.50	+2.4	27.0	0.7	1.8
Dresdner Bnk	38.60	+.6	20.1	0.2	2.1
ForeningsSpa	20.78	+.8	7.3	0.5	3.1
HSBC (75p)	15.49	+.5	18.6	1.8	6.1
HSBC (HK$10)	15.01	+.7	27.2	2.0	6.3
Halifax	10.38	+.1	25.8	2.3	4.2
KBC Holdings	58.81	-.3	17.4	0.1	-
LloydsTSB	10.10	+.4	54.9	9.0	3.5
Mediobanca	8.10	+.2	4.6	1.8	1.3
Merita A	4.18	+.2	3.1	2.7	4.1
Nat West	12.43	+.2	21.2	4.1	4.8
Nordbanken H	4.47	+1	5.7	4.4	3.0
Paribas	57.72	+1.4	8.2	0.8	-
Rolo Banca	16.50	+.3	7.2	0.7	1.8
Ryl Bk Scot	10.80	+.6	9.3	1.6	3.8
San Paolo	8.64	+.2	7.9	2.0	6.6
S-E-Banken A	6.16	-.4	4.6	1.9	4.0
Soc Generale	112.89	+8.7	11.4	0.4	2.3
Stand Chart	5.47	+1	5.5	3.2	6.4
Sv Handelsb	31.34	+.8	7.4	0.2	2.3
UBS AG (Reg)	240.65	+2.1	51.6	0.9	2.6
Woolwich	5.09	+.2	8.1	4.5	3.5
BREWERIES, PUBS & RESTAURANTS					
Bass	9.95	+.2	7.9	2.9	-
Compass	8.29	+.3	5.5	1.5	1.0
Scot & New	10.23	+.2	6.3	0.5	4.2
Whitbread	10.89	+.4	5.3	0.8	4.4
BUILDING MATERIALS & MERCHANTS					
CRH	10.30	-	3.9	-	1.6
Hanson	5.17	-	3.4	2.1	4.2
Holderb'k Zem	84.33	+5.1	2.6	-	1.4
Holderbank B	767.01	-10.3	3.9	-	1.6
Lafarge	70.98	+1.8	7.3	0.3	2.4
Saint Gobain	116.19	+2.2	10.5	0.3	2.4
CHEMICALS					
AGA A	11.85	+.4	1.5	-	2.8
AGA B	11.32	+.5	1.3	0.1	2.9
Air Liquide	133.44	+6.4	10.7	0.2	1.8
Akzo	30.87	+1.3	8.8	3.8	3.1
BASF	30.87	-.5	19.4	0.5	3.3
BOC	11.29	+.2	5.5	1.5	4.5
Bayer	32.16	+.4	23.8	0.7	3.0
Ciba Spec Ch	65.65	+.5	4.5	0.4	-
Hoechst	35.86	+.4	21.1	0.2	2.1
ICI	8.81	-.4	4.8	4.3	6.8
Rohm/Haas	85.88	-.3	4.7	0.1	2.7
UCB	4,390.51	-146.1	8.4	-	8.4
CONSTRUCTION					
Bouygues	144.75	+7.9	3.8	0.1	1.8
Skanska B	28.57	+1.7	3.0	0.2	3.3
DISTRIBUTORS					
Adidas-Salomon	98.33	+6.5	4.6	0.1	1.8
GIB	36.74	+1.8	3.8	0.1	1.2
Hagemeyer	74.41	+1.8	3.5	-	1.2
DIVERSIFIED INDUSTRIALS					
Incentive A	7.81	+1	2.8	0.5	2.8
Investor B	33.74	+.3	3.8	0.4	3.2
Investor A	33.82	+1.7	2.8	-	3.2
Montedison	0.99	-	8.1	31.3	2.3
RWE	47.17	+.8	18.0	0.2	1.7
Suez-Lyon de	152.60	+2.0	22.2	0.7	1.5
Tomkins	3.84	+1	4.2	2.7	5.8
Veba	47.27	-.4	23.6	0.2	2.5
Vivendi	173.30	-6.6	27.8	1.8	1.3
ELECTRICITY					
Br Energy	8.47	+.1	6.1	2.9	3.1
Endesa	7.28	+.2	4.8	1.5	1.8
Electrabel	317.26	+6.6	17.5	0.1	3.8
Elect de Por	28.67	-.7	3.7	-	3.1
Endesa	18.31	+.3	17.8	2.8	2.8
Iberdrola	14.18	+.3	12.8	3.8	2.4
Natl Grid	6.43	+1	9.6	3.3	3.4
Nat Power	7.54	-.1	9.8	2.5	6.1
PowerGen	12.56	+1	8.1	3.3	4.2
Scot Power	8.71	-	10.4	2.4	4.2
Southern El	8.17	-	4.4	1.1	4.7
Tractebel	136.05	+1.7	11.7	-	1.4
ELECTRONIC & ELECTRICAL EQPT.					
ABB A	7.82	+1	7.1	4.3	2.0
ABB (Br)	842.23	+18.2	7.8	-	2.8
Alcatel SA	78.87	+.8	18.8	4.8	2.2
Alstom	17.47	+.4	3.7	6.6	-
Ericsson B	15.39	-	27.8	12.0	1.2
GEC	6.25	+.3	17.0	6.3	3.3
Lagardere	25.14	-.8	3.8	0.8	2.7
Lahmeyer	42.53	+.8	3.8	-	3.8
Legrand	185.45	-13.9	4.7	-	0.7
Nokia A	63.11	+1.7	30.0	1.5	1.0
Philips	41.70	+4.6	14.5	0.4	2.2
Schneider	42.08	+.8	6.5	0.6	3.3
Siemens	48.68	+.3	28.7	0.8	1.7
ENGINEERING					
Atlas Copco A	17.74	+.8	2.2	0.3	2.6
Atlas Copco B	17.47	+.7	1.1	0.5	2.6
BTR	1.58	-	8.2	17.1	8.8
Brit Aero	5.07	-.1	4.4	7.4	1.8
Br Steel	1.41	-	2.8	4.3	12.8
Degussa	38.48	-.7	3.6	-	1.8
GKN	8.75	+.2	6.2	0.0	2.5
Linde	465.87	-4.1	4.1	-	2.1
LucasVarity	2.81	+.1	4.0	10.0	11
MAN	257.29	-8.8	3.9	-	2.6
Mannesmann	88.26	-1.0	28.6	0.5	0.7
Michelin B	34.93	+1.0	4.8	0.3	1.7
Pirelli Spa	2.36	+.1	4.8	7.2	3.8
Preussag	294.25	-8.1	4.8	-	2.1
Sandvik A	17.34	+.6	4.4	0.2	4.4
Scania A	16.22	+.3	1.6	0.4	3.7
Scania B	16.27	+.5	1.5	0.4	3.7
Sidel	2.73	+.1	5.7	8.8	2.1
Smiths Ind	10.26	-	3.2	2.2	3.2
TI	4.78	+.2	2.4	0.4	5.0
Thyssen CSF	38.38	+1.8	4.1	0.3	1.8
Thyssen	185.16	-6.8	5.3	-	3.2
Vlag	604.62	+17.3	18.8	-	1.1
Volvo	88.24	-.8	4.8	0.6	1.7
EXTRACTIVE INDUSTRIES					
Billiton	1.70	-	3.6	11.8	5.3
Rio Tinto	9.60	+.2	10.3	2.3	4.7
FOOD PRODUCERS					
A B Foods	8.11	+.2	7.3	0.5	2.2
Cadbury Schw	11.87	+.1	12.2	2.8	2.2
Danisco	55.64	+1.5	3.3	0.2	1.4
Danone	242.26	+1.7	17.8	0.3	1.2
Eridania B-S	185.10	+1.3	4.3	0.1	3.2
Nestle R	1,647.56	+41.5	65.0	0.1	1.3
Unilever NV	52.76	+4.4	33.8	3.3	1.9
Unilever	7.15	+.5	23.3	7.8	2.1
GAS DISTRIBUTION					
BG	5.48	-	21.5	5.7	2.8
Centrica	1.54	-	6.8	7.7	-
Gas Natural	58.84	+2.4	8.8	0.4	0.5
HEALTH CARE					
Nycomed Amer	5.47	+.2	3.4	1.0	1.4
HOUSEHOLD GOODS & TEXTILES					
Beiersdorf	48.26	+1.0	3.8	-	7.1
Christian Di	72.95	+.8	3.3	0.1	3.5
Electrolux B	10.34	+1	3.7	1.8	2.6
Hunter PI	88.33	-.4	4.1	0.1	1.8
L'Oreal	408.42	-1.1	30.6	0.2	0.8
Reckitt & C	12.36	-1	5.0	0.9	2.9
Swatch Br	515.25	+13.3	1.9	-	1.2
Swatch Reg	135.80	+2.3	1.9	-	1.0
INFORMATION TECHNOLOGY					
Baan Co.	24.15	+4.8	5.5	1.4	-
Cap Gemini	110.12	+3.8	7.8	0.3	0.8
Misys PLC	7.38	+1	4.1	-	-
SAP (Pref)	435.03	+37.7	18.3	0.1	0.5
SAP	394.88	+30.6	22.0	-	0.4
Sema Gp	8.30	-	3.8	0.8	0.4
INSURANCE					
Axa	80.38	+.8	28.4	1.7	1.6
Aachen Mch (	101.45	+.5	7.1	-	0.8
Allianz	288.76	+6.6	62.7	0.1	0.4
Allied Zurich	9.87	+.3	16.6	13.0	-
AGF	48.60	+.1	8.7	0.4	1.9
Baloise (Reg	664.61	-3.0	3.3	-	4.6
CGU	12.66	+.1	16.8	3.6	3.8
Ergo Versich	184.80	+16.5	11.7	-	0.5
Fortis AG	218.29	+1.6	17.7	0.1	1.3
Fortis Amev	58.79	+1.6	8.4	0.8	2.2
Generali	38.61	+1.4	27.6	4.7	0.7
GRE	3.72	+1	3.3	3.2	4.5
ING	43.14	+1.3	40.8	10.2	2.7
Munich Reck	342.60	+8.2	30.3	-	0.3
Ras	9.17	+.2	4.8	1.8	1.8
Royal Sun Al	7.31	+.6	11.4	3.2	4.7
Skandia	8.47	+.3	4.8	2.8	0.8
Swiss Re R	1,778.38	+6.2	38.0	-	1.6
Zurich Allie	482.60	+8.2	22.4	0.2	-
INVESTMENT COMPANIES					
3i Group	7.16	+1	4.5	1.4	2.5
GBL	149.68	+.4	3.8	-	2.7
LEISURE & HOTELS					
Accor	179.69	+2.5	6.6	0.1	1.9
Granada	10.48	+1	9.5	1.8	2.8
Ladbroke	2.95	+.2	3.6	1.2	3.6
Rank Group	3.45	-	2.7	1.1	8.8
LIFE INSURANCE					
Aegon	69.82	+8.4	37.8	0.7	1.3
Alleanza Ass	10.28	+.5	7.8	0.1	0.8
Ina	2.16	+.1	8.7	18.6	1.7
Legal & Gen	10.65	+.2	12.8	4.4	2.4
Nordic Un	6.51	+1	12.6	3.4	3.4
Prudential	12.05	+.2	23.4	2.9	2.4
Sun Life & P	7.86	+.4	6.4	0.6	2.7
MEDIA					
B Sky B	7.45	+.2	12.8	4.3	1.8
Canal Plus	195.83	+4.8	8.1	0.1	1.6
Carlton C	5.56	+1	3.4	1.3	4.2
EMI	4.96	+1	3.8	2.8	4.8
Elsevier	12.81	+.8	8.7	6.2	3.3
Mediaset	5.51	+.2	6.6	4.3	2.2
Pearson	14.84	+.2	9.0	1.2	2.4
Polygram	48.68	+.1	8.7	1.4	0.8
Reed Int	7.71	+.5	8.8	4.7	3.5
Reuters	7.68	+.2	10.9	3.2	3.1
Utd News	8.36	+.3	4.2	0.5	4.2
VNU NV	31.17	+.3	6.9	1.7	1.8
WPP	4.38	-	3.3	3.4	0.8
Wolters Kluw	155.85	+3.4	10.7	0.7	0.9
OIL, INTEGRATED					
BP	12.27	+.3	71.8	10.6	3.4
ENI	6.19	+.3	41.4	20.2	2.8
Norsk Hydro	31.11	+.9	3.5	0.4	2.8
Petrofina	302.83	-1.4	6.8	-	2.9
Repsol	38.58	+.3	11.0	1.2	2.5
Royal Dutch	40.87	+1.5	87.8	7.3	3.8
Shell Trans	5.61	+.1	40.8	24.1	3.9
Elf Aquitain	100.85	+2.0	28.8	1.4	2.1
Total B	107.84	+3.1	28.3	0.8	1.8
OTHER FINANCIAL					
Amvescap	5.80	-1	3.7	1.5	1.9
CLF Dexia	113.82	+3.1	4.2	0.1	2.3
Dexia	138.36	+1.9	4.8	0.1	0.7
INF	10.18	+.3	6.1	1.5	3.5
Prov Fincl	12.27	+1	3.2	0.7	3.1
Schroders	14.35	+1	4.2	0.3	1.9
PAPER PACKAGING & PRINTING					
Alusuisse-Lo	893.21	-9.7	5.2	-	-
SCA A	17.63	+1.6	1.1	-	3.5
SCA B	17.47	-1.1	2.4	0.4	3.6
Stora A	9.31	+.1	3.3	0.5	4.4
UPM-Kymmene	18.58	+.2	5.1	0.4	5.1
PHARMACEUTICALS					
Astra A	14.95	+.6	24.4	5.9	1.3
Glaxo Wellcm	25.77	+.2	92.8	5.9	2.2
Novartis R	1,351.37	-30.3	83.7	0.2	1.1
Novo Nordisk	118.82	+5.0	7.5	0.2	1.6
Rhone Poulnc	22.28	-1.3	12.8	1.8	1.8
Roche Hold G	9,434.80	-37.0	66.2	-	0.8
Sanofi	119.80	-1.8	12.8	0.2	0.8
Schering	98.71	+.6	6.1	0.1	1.4
Smith Kline	9.62	-.2	54.7	10.2	1.7
Synthelabo	182.19	+7.8	7.3	0.1	0.8
Zeneca	32.87	+.4	31.2	1.7	2.1
PROPERTY					
Br Land	7.80	-	4.1	1.7	2.1
Land Sec	12.88	+.2	7.1	1.3	2.9
RETAILERS, FOOD					
Asda	2.46	+1	7.5	6.2	2.8
Ahold	24.76	+.6	14.1	0.8	1.4
Carrefour	538.90	+13.0	20.7	0.1	0.8
Casino	84.30	+8.0	7.3	0.2	1.4
Delhaize Fre	72.80	+.8	3.8	0.1	1.2
Promodes	594.46	+.6	8.9	-	0.8
Safeway	4.40	-	5.9	4.6	3.7
Sainsbury	8.03	+.2	15.3	4.7	3.1
Tesco	2.44	+.1	18.1	6.6	2.8
RETAILERS, GENERAL					
Boots	13.49	+.1	12.3	1.2	3.0
Dixons	6.66	-	3.7	1.6	2.6
GUS	9.77	+.3	9.6	4.8	3.7
H & M B	58.84	+2.4	10.8	1.2	0.5
Kingfisher	7.16	+.1	6.7	5.5	3.0
Marks & S	5.36	+.2	15.3	3.8	4.1
Metro AG	62.72	+1.3	12.3	0.1	1.8
Pinault Prin	147.83	+2.6	17.3	0.4	0.8
SUPPORT SERVICES					
Adecco (Br)	365.43	+15.9	6.0	-	1.0
Hays	12.56	+.4	6.4	0.5	1.5
Rentokil Ini	47.81	+2.4	2.1	0.8	0.8
Rexel A	116.52	+.3	0.8	-	1.4
Rexel B	127.91	+7.9	3.8	0.2	1.3
Rentokil Ini	4.55	+.1	13.0	3.8	1.3
Sodexho	165.48	+6.8	8.8	0.1	0.8
TNT Post Grp	29.33	-.4	8.7	1.6	0.7
Williams	4.86	+1	3.4	1.8	8.2
TELECOMMUNICATIONS					
BT	11.96	+.8	77.2	10.7	3.9
Cable & Wire	5.46	+1	8.1	-	-
Cable & W	7.38	+.1	13.6	6.6	2.4
Deutsche Tel	26.85	+1.1	18.6	0.6	2.1
France Telec	58.40	-2.7	13.8	2.6	1.7
Olivetti	1.76	-	4.9	31.9	-
Orange	6.13	+.1	6.7	0.8	-
Portugal Tel	32.32	[illegible]	4.6	-	2.7
ROYAL KPN	31.44	-.3	14.8	1.5	2.8
Securicor	6.35	-.1	3.8	1.9	0.5
Tele Danmark	81.03	+4.6	8.8	1.0	3.0
Telecom Ital	6.98	+.2	30.3	22.1	1.8
TIM	5.38	+.2	38.3	10.0	0.9
Telefonica	38.27	+1.4	31.0	5.7	1.5
Vodafone	10.53	-	32.6	7.8	0.9
TOBACCO					
Brit Am Tob	6.69	+.2	10.5	7.6	6.3
Gallaher	6.03	+.2	4.2	3.8	4.9
Imperial Tob	8.02	+.5	4.5	1.4	4.6
Richemont A	1,081.26	+73.8	5.5	-	1.3
TRANSPORT					
Acesa	12.77	+.5	3.2	0.5	2.6
BAA	8.39	+1	8.9	2.7	2.9
D/S 1912 B	5,156.46	+212.4	2.8	-	0.1
D/S Svendbor	7,433.33	+304.7	2.8	-	0.1
Lufthansa	16.67	-	3.2	0.8	2.7
P & O	8.95	-	5.7	1.6	5.7
Railtrack	23.10	+1.0	11.7	2.4	1.8
Stagecoach	15.90	+1.0	4.4	2.0	1.3
WATER					
Anglian Wtr	13.17	+1	3.7	2.8	5.9
Severn Trent	16.01	+.4	5.4	2.3	3.9
Thames Water	16.21	+1	5.7	0.1	4.3
Utd Utils	13.57	+.4	7.4	1.6	4.7

Notes

Price data and market capitalisations supplied by FTSE International. Market capitalisation figures are based on shares used in index calculations. Shares are not counted where foreign ownership restrictions apply. Market caps may include secondary lines not eligible as constituents. Stocks in bold type are domiciled in Euro countries. Trading volumes and yields derived from local domestic markets and supplied by Extel, part of FT Information.

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Prices ease on share strength

GOVERNMENT BONDS

By John Labate in New York and Khozem Merchant in London

Government bonds moved lower yesterday as some strength returned to equity markets and investors waited for further signs of the effects on prices of the emerging markets crisis.

US TREASURIES eased in early trading as a summit between US President Bill Clinton and Japanese Prime Minister Keizo Obuchi got under way in New York.

The 30-year bond, the benchmark for long-term interest rates, was down 7/16 by early afternoon to 105 11/32, yielding 5.147 per cent. The 10-year note lost 3/32 to 107 1/4, yielding 4.681 per cent, while the two-year note was unchanged at 100 5/32, yielding 4.629 per cent.

Bond prices had soared on Monday as investors sold US equities, afraid of any damaging revelations from the broadcasting of Mr Clinton's taped grand jury testimony.

The move renewed speculation as to the future direction of bond yields, and what it would take to send the long bond yield below 5 per cent.

"Right now we have no reason to believe the [bond] market's reached a top," said Dennis Hynes, chief investment strategist at R. W. Pressprich in New York. "The only thing that will truly push the market below 5 per cent is to fully break the 7,400 level in the Dow."

However, other domestic and international concerns could set off renewed Treasury buying. A crisis in Brazil could renew strong buying, said Kevin Logan, senior market economist at Dresdner Kleinwort Benson in New York.

In the near term, debate continues about the Federal Reserve's next move, with a policy meeting set for next Tuesday.

"The [Treasury] market's built in an easing, but unless we get more bad news the chances are slightly less than 50 per cent that they will ease," said Mr Logan.

In GERMAN BUNDS, the December futures contract was down 0.26 to 114.2, amid a rally by the Dax index of share prices. In the cash market, the yield on 10-year bunds firmed to 3.93 per cent, on trading turnover of 482,000 contracts on the Deutsche Terminbörse.

In the absence of market-moving economic data, all eyes were on a hectic schedule of big political meetings in the next week, starting today with US Federal Reserve chairman Alan Greenspan's testimony to the Senate.

Expectations are that he will not signal a cut in interest rates, continuing what James Mitchell, strategist at Nomura, described as the "G7's co-ordinated denials".

Jean Claude Trichet, governor of the Banque de France, said interest rate cuts were not on the agenda in France.

In UK GILTS, the December future closed at 115.20, down 0.35, ending a week-long run of gains. In the cash market, the yield on 10-year gilts rose slightly to 5 per cent, while the yield on the 7¼ per cent December 2007 gilt rose to 4.94 per cent.

Evidence of renewed economic slowdown emerged in data on the housing market and more profit warnings from companies. It gave further weight to the argument that UK interest rates will be cut soon.

Gilts moved lower as the FTSE 100 closed up 2.3 per cent, demonstrating, as Mr Mitchell said, that "equities continue to determine bond action".

Moody's lowers Toshiba rating

By Khozem Merchant

Moody's, the US credit rating agency, has downgraded the long-term debt rating of Toshiba, Japan's second biggest maker of electric machinery, from A1 to A2.

It said the worsening economic environment in Japan was one reason for the downgrade but added that "the unfavourable structural changes in [Toshiba's] operations will continue to squeeze its earnings and cash flow".

Toshiba has streamlined its operations and formed global alliances, notably with Siemens of Germany, Olivetti of Italy and General Electric of the US.

The Moody's downgrade affects about $3.8bn in long-term debt and effectively makes credit expensive for Toshiba.

Some 65 per cent of Toshiba's sales are in data systems, with the rest divided between heavy machinery and consumer products. The Japanese economy is stuck in its worst recession for 50 years with consumer spending, in particular, stubbornly low.

The downgrade follows this week's decision by Fitch IBCA, the UK-based agency, to lower Japan's long-term foreign currency rating.

In recent months, some of Japan's biggest industrial companies have seen their debt ratings downgraded.

In August, Toyota, Japan's biggest manufacturer of motor vehicles and the third largest in the world, had its long-term debt downgraded, also by Moody's. It followed similar re-ratings for Nissan and Mitsubishi Motors, the second and third biggest car groups in Japan.

CROSS-BORDER PAYMENTS PRICING PUTS PRESSURE ON RIVALS

EBA plans sliding scale for euro deals

By Clay Harris, Banking Correspondent

The Euro Banking Association yesterday announced a "dynamic, flexible" pricing policy for cross-border wholesale and commercial euro payments. It is based on a sliding scale: the greater the volume, the lower the cost per transaction.

The EBA's aggressive "end-to-end" prices are likely to put pressure on rivals in the competitive euro payments market. It was described as a "give-away" by one UK banker.

According to examples given of EBA's pricing formula, the cost per transaction would be 15 euro cents (about 18 US cents) or lower for a bank processing more than 5,000 payments a day.

For a bank processing 3,000 payments a day, the cost per transaction would rise to 20 euro cents (about 24 US cents).

The EBA Clearing Company, which will operate the system, is owned by 65 clearing banks, with 10 others either having applied for membership or planning to, according to Gilbert Lichter, the company's chief executive.

Since operating costs are shared equally among members, prices should fall as more banks join the company, he said.

The EBA has leased capacity for 200,000 payments a day on the Swift financial message system.

This could be expanded to 400,000 at four months' notice, Mr Lichter said. Certain parts of the system had been tested for up to 600,000 transactions a day.

Willy Scheerlinck, EBA Clearing Company chairman, said banks should also consider non-cost factors before choosing a euro payments system, including liquidity, the cost of operational adjustments, reliability and security.

Other payments systems have not announced firm prices yet, although the Target network built by the European Central Bank has indicated a tiered range from 85 euro cents to E1.85.

There would also be the cost of accessing the system, expected to be about 30 euro cents in the case of EuroChaps in the UK.

EBA plans end-of-day net settlement, while Target intends to have closer to real-time clearing.

S&P in Russian venture

By Anthony Robinson in Moscow

Standard & Poor's, the US rating agency which last week downgraded Russia's sovereign debt rating to CCC minus, yesterday warned that Russian companies and institutional borrowers would face intense scrutiny and have to offer much greater transparency when they try to regain access to capital markets.

"If Russian companies seek capital in future, they will be subject to far closer scrutiny and will have to be far more transparent," according to George Dallas, S&P managing director for eastern Europe, the middle east and Africa.

Mr Dallas was speaking at the launch of a new affiliation agreement between Standard & Poor's and EA-Ratings, a Moscow-based rating and credit consultancy consultancy.

The agreement with EA-Ratings is designed to enhance S&P's ability to analyse credit risks and its coverage of the Russian economy and debt markets.

Alexei Novikov, executive director of EA-Ratings, said: "The current economic crisis is causing a profound rethinking of business practices and the nature of institutions responsible for tax and governmental fiscal matters, budgetary expenditures and financial management. Under any set of policies likely to emerge at the federal level, transparency will now be critical for companies, banks and regional and local governments who wish to borrow."

With the central bank printing roubles and the acting Russian government still talking to foreign investors about the terms for restructuring more than $40bn of frozen domestic debt, both partners in the new venture agreed there was little prospect of new foreign debt issues for the forseeable future.

"Since international borrowing is expected to be severely limited in the short term, domestic debt financing could be more attractive," Mr Novikov said.

Andean bank raises $100m

INTERNATIONAL BONDS

By Edward Luce, Capital Markets Editor

Corporacion Andina de Fomento, the Andean development bank, yesterday became the first Latin American borrower to come to the international bond markets since the Russian debt default last month.

The borrower, which is owned by Bolivia, Colombia, Ecuador, Peru and Venezuela, has now come to the markets four times this year.

The launch of the $100m three-year bond, led by Merrill Lynch, coincided with another mini-rally in emerging market paper.

J. P. Morgan's emerging market bond index narrowed to an average spread of just 1,300 basis points, considerably lower than the 1,700 to 1,800 basis points it was trading at 10 days ago.

"There is a feeling that the international community will act to prevent Brazil and Latin America from being the next victims of market contagion," said one banker. "But mostly it's just an arbitrary change in market psychology."

CAF, which is rated BBB+ and A3, last issued a dollar-denominated eurobond in March at a yield spread of 105 basis points over the five-year Treasury benchmark. It has since widened to about 250 basis points, in line with other credits.

Yesterday's offering, which was priced to yield 180 basis points over the Treasury curve, was trading flat to its re-offer price last night.

CAF was also the first Latin American borrower to come to the market after the Mexican "Tequila crisis" in 1995. The Inter-American Development Bank has been rumoured to be planning a dollar deal for several weeks.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
HACCMT 98-1, Class A(a)♦‡	844	(a1)	100.00R	Sep 2001	-	-	Merrill Lynch
Crusade Euro Tst 2, A(b)‡	314	(b1)	100.00	Nov 2029	0.175	-	Deutsche Bank
Corp Andina de Fomento	100	6.375#	99.314R	Oct 2001	0.25R	+180(l)	Merrill Lynch
LB Rheinland-Pfalz♦	70	4.54(q)	100.00	Oct 2001	1.20	-	IBJ/New Japan Securities
FRENCH FRANCS							
GECC(c)	1bn	[illegible]	109.836	Aug 2009	0.325	+32(l)	Paribas

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ♦Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Household Affinity Credit Card Master Trust. Legal maturity: 17/2/04. a1) 1-mth Libor +12bp. a2) Class B: $46.1m, 1-mth Libor +32bp, par, Sep 01. b) Secured on Australian residential mortgages originated by St George's Bank. 10% clean-up call. Av life: 3.6 yrs. Callable from 10/8/05 at par. b1) 3-mth Libor +20bp to Aug 05, then +50bp. b2) Class B notes of $11m were privately placed. c) Includes initial FFr500m at 109.711%. Fungible with FFr1.5bn. Plus 55 days accrued. l) Over interpolated yield. q) Quarterly coupon

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Sep 22	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.4495	4.81	-0.06	-0.11	-0.49	+0.13
	09/08	8.750	127.0834	5.21	-0.06	-0.13	-0.40	-0.95
Austria	07/00	5.875	103.7200	3.70	-0.07	+0.07	-0.16	[illegible]
	01/08	5.000	106.1700	[illegible]	-0.07	-0.14	-0.33	-1.41
Belgium	01/00	4.000	100.4600	3.62	+0.03	+0.01	-0.01	-0.44
	03/08	5.750	111.8500	4.21	-0.08	-0.16	-0.30	-1.44
Canada	03/00	5.000	99.8000	5.14	-0.04	-0.04	-0.10	+1.04
	06/08	6.000	106.5400	5.13	-0.07	-0.16	-0.39	-0.63
Denmark	11/00	9.000	107.0000	5.42	+0.58	+1.05	+1.29	+0.78
	11/07	7.000	115.0000	[illegible]	+0.19	+0.29	+0.26	-1.19
Finland	01/99	11.000	102.2756	3.04	-0.08	-0.03	-0.31	-1.07
	04/08	6.000	112.8810	[illegible]	-0.03	-0.11	-0.20	-1.43
France	01/00	[illegible]	100.5500	3.54	-0.03	[illegible]	-0.10	-0.58
	04/05	7.500	121.3400	3.77	-0.06	-0.09	-0.35	-1.34
	04/08	5.250	109.3300	4.06	-0.06	-0.15	-0.33	-1.43
	04/29	5.500	110.7400	4.82	-0.08	-0.18	-0.24	-1.32
Germany	03/00	4.000	100.7800	3.43	-0.06	-	-0.13	-0.54
	10/05	6.500	115.7700	3.90	-0.08	-0.10	-0.29	-1.28
	01/08	5.250	110.1600	3.92	-0.06	-0.15	-0.35	-1.53
	01/28	5.625	112.4300	4.76	-0.08	-0.21	-0.24	-1.44
Ireland	10/01	6.500	107.4200	3.69	-0.06	-0.01	-0.35	-1.49
	08/08	6.000	113.4000	4.31	[illegible]	-0.12	-0.32	-1.77
Italy	04/01	4.500	101.4400	3.88	-0.01	+0.03	-0.18	-1.48
	05/03	4.750	102.9200	4.05	-0.03	+0.02	-0.21	-1.54
	05/08	5.000	104.9800	4.37	-0.02	[illegible]	-0.27	-1.75
	11/27	6.500	118.9000	5.22	-0.02	-0.08	-0.05	-1.51
Japan	03/00	6.400	109.0500	0.28	+0.01	+0.04	-0.19	-0.22
	06/03	4.500	118.0800	0.62	+0.07	[illegible]	-0.31	-0.86
	09/05	3.000	115.0500	0.78	+0.07	-0.05	-0.45	-1.23
	03/18	2.700	120.7300	1.47	+0.07	-0.08	-0.60	-1.38
Netherlands	05/00	9.000	108.4800	3.53	-0.11	+0.04	-0.20	-0.86
	07/08	5.250	108.4400	[illegible]	-0.06	-0.14	-0.38	-1.45
New Zealand	02/01	[illegible]	104.2761	6.00	+0.09	+0.15	-0.17	-0.81
	11/06	8.000	113.4142	5.90	+0.03	-0.15	-0.23	-0.75
Norway	01/99	9.000	100.2500	7.79	-	+0.08	[illegible]	+3.37
	01/07	6.750	108.3000	5.47	[illegible]	+0.07	-0.08	-0.37
Portugal	03/00	5.375	102.5700	3.55	-0.04	-	-0.35	-1.51
	06/08	5.375	107.9000	4.36	-0.03	-0.11	-0.28	-1.70
Spain	04/00	6.750	104.5400	3.65	-0.03	+0.03	-0.17	-1.19
	01/08	6.000	112.2400	4.37	-0.04	-0.08	-0.28	-1.56
Sweden	05/00	10.250	108.7630	4.43	+0.14	+0.19	+0.16	-0.42
	05/08	6.500	112.1310	4.88	+0.16	+0.15	[illegible]	-1.48
Switzerland	03/00	5.000	104.9800	1.50	-0.04	-0.09	-0.47	-0.26
	06/07	4.500	114.2500	2.64	-0.05	-0.07	-0.02	-0.85
UK	11/01	7.000	104.0625	5.58	-0.10	-0.25	-0.58	-1.28
	12/03	6.500	106.1250	5.14	-0.09	-0.24	-0.61	-1.59
	12/07	7.250	117.2188	4.90	-0.07	-0.25	-0.59	-1.77
	12/28	6.000	121.2813	4.65	-0.09	-0.30	[illegible]	-1.95
US	05/00	[illegible]	101.2500	4.71	-	-0.07	-0.56	-1.11
	05/03	5.500	103.6875	4.60	-0.01	-0.14	-0.67	-1.47
	05/08	5.625	107.3750	[illegible]	-0.02	-0.20	-0.68	-1.43
	11/27	6.125	112.2063	5.25	-	-0.07	-0.28	-1.12
ECU	07/00	4.000	100.5400	3.68	-0.01	-0.01	-0.13	-0.83
	04/08	5.250	103.7800	4.12	-0.05	-0.13	-0.29	-1.61

London closing. *New York mid-day. Source: Interactive Data/FT Information

Yields: Local market standard. Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Sep 22	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.20	+1.33	+0.58
Austria	4.18	+0.31	-0.44
Belgium	4.23	+0.36	-0.39
Canada	5.12	+1.25	+0.50
Denmark	4.87	+1.00	+0.25
Finland	4.36	+0.49	-0.26
France	4.07	+0.20	-0.55
Germany	3.87	-	-0.75
Ireland	4.32	+0.45	-0.30
Italy	4.43	+0.56	-0.19
Japan	0.93	-2.94	-3.69
Netherlands	4.06	+0.19	-0.56
New Zealand	5.90	+2.03	+1.28
Norway	5.43	+1.56	[illegible]
Portugal	4.37	[illegible]	-0.25
Spain	4.45	+0.58	-0.17
Sweden	4.90	+1.03	[illegible]
Switzerland	2.88	-0.99	-1.74
UK	4.81	+0.94	+0.19
US	4.62	+0.75	-
ECU	4.13	+0.26	-0.49

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis

EMERGING MARKET BONDS

Sep 22	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	87.7419	11.42	+0.26	+2.31	+6.91
Poland	07/04	7.125	BBB-	101.1278	6.87	+0.06	-0.21	+2.37
Russia	06/07	10.000	n.a	20.5000	52.00	-0.26	+17.42	+47.41
LATIN AMERICA								
Argentina	09/27	9.750	BB	76.0000	12.95	-0.35	-0.72	+7.89
Brazil	05/27	10.125	BB-	58.0940	17.52	+0.19	+0.83	+12.46
Mexico	05/26	11.500	BB	93.0000	12.40	+0.15	-1.10	+7.37
ASIA								
China	07/06	7.750	BBB+	95.0380	8.64	-0.14	-0.42	[illegible]
Philippines	10/16	8.750	BB+	69.0000	13.33	+0.20	+1.89	+8.53
Thailand	04/07	7.750	[illegible]	67.9716	14.37	+0.48	+2.60	+9.78
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	102.1360	7.31	+0.26	-1.16	[illegible]
South Africa	10/06	8.375	BB+	84.2303	11.47	+0.26	+1.28	+6.91
Turkey	09/07	10.000	B	78.0000	14.54	[illegible]	+2.31	+9.95
BRADY BONDS								
Argentina	03/23	5.750	BB	64.0000	9.93	-0.09	-0.35	+4.96
Brazil	04/14	5.000	BB-	60.0000	13.70	+0.03	-1.38	+8.94
Mexico	12/19	6.250	BB	71.3750	9.38	+0.11	-0.12	+4.51
Venezuela	03/20	6.750	B+	64.0000	11.21	-0.00	-1.20	+6.31

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110.35	110.29	-0.41	110.38	110.10	115,851	108,721

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
103	7.29	7.29	7.29	-	-	-
104	6.29	6.29	6.29	-	-	0.01
105	5.29	5.29	5.29	-	-	0.02
106	4.29	4.29	4.32	-	0.01	0.05

Est. vol. total, Calls 2,251 Puts 2,380. Previous day's open int., Calls 42,107 Puts 63,881.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	114.01	114.15	-0.34	114.18	114.01	47	4960
Mar	-	112.80	-0.36	-	-	0	0

NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	114.10	114.12	-0.26	114.30	113.84	820,736	830,342
Mar	114.48	114.49	-0.27	114.50	114.32	1,008	10,736

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
11400	0.28	0.89	1.16	0.13	0.74	1.01
11450	0.07	0.66	0.92	0.42	1.00	1.27
11500	0.01	0.48	0.72	0.86	1.31	1.57

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 8866 Puts 6460

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	107.95	108.00	-0.07	108.03	107.85	141,984	261,878
Mar	-	107.67	-0.06	-	-	284	2,672

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	111.12	111.43	+0.19	111.50	110.84	27234	83521
Mar	-	111.55	[illegible]	-	-	0	0

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Oct	Calls Nov	Puts Oct	Puts Nov
11050	0.48	1.10	0	0.17
11100	0	0.75	0.02	0.32
11150	0	0.47	0.52	0.64

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 100 Puts 2275

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	114.60	115.15	+0.03	[illegible]	114.60	77,726	97,259
Mar	-	114.60	+0.03	-	-	-	-

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	105.66	-0.26	-	-	0	561
Dec	-	107.05	-0.26	-	-	0	1694

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114.91	114.99	-0.35	114.91	114.91	5	4624
Dec	115.21	115.20	-0.35	115.36	114.94	47349	148384

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
11500	0.35	1.18	1.54	0.15	0.98	1.34
11550	0.11	0.95	1.32	0.41	1.25	1.62
11600	0.01	0.76	1.11	0.81	1.56	1.91

Est. vol. total, Calls 9266 Puts 1962. Previous day's open int., Calls 63521 Puts 37563

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	-	-	-	-	-	8,487	-
Dec	129-02	128-30	-0-09	129-07	128-21	449,528	703,373
Mar	128-12	128-20	-0-09	128-20	128-12	1,235	-

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	138.16	137.93	-	138.21	137.76	2693	n/a
Mar	137.02	137.11	-	137.02	137.02	100	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	-	108.30	-0.58	-	-	0	0

US CORPORATE BONDS

Sep 21	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	108.1303	5.42	-0.01	-0.53	+0.92
NY Tel	08/03	7.00	A+	102.9717	6.66	-0.01	-0.27	+2.18
CWE	06/08	8.00	BBB	114.9333	5.94	-0.02	-0.36	+1.28
FINANCIALS								
GECC	05/07	8.75	AAA	122.4950	5.46	-0.03	-0.60	+0.79
Banc One	08/02	7.25	A+	108.1462	5.48	-0.01	-0.49	+0.95
Mellon One	01/07	7.30	BBB	107.7798	6.09	-0.02	-0.32	+1.43
INDUSTRIALS								
WMX Tech	04/99	8.25	BBB+	100.1914	5.86	+0.02	-0.20	+1.38
Wal Mart	06/02	6.75	AA	105.0199	5.03	-0.01	-0.81	+0.63
Dayton Hud	06/21	8.70	BBB+	135.8269	5.82	-0.01	-0.04	+1.50
AGENCIES								
FHLMC	04/07	7.14	N/A	113.1484	5.21	-0.03	-0.47	+0.55
SLMA	03/00	7.50	N/A	103.2766	5.14	-0.05	-0.37	+0.82
FNMA	02/16	8.95	N/A	136.7949	5.77	+0.03	-0.11	+0.05
FFCB	06/06	8.95	N/A	123.6989	5.18	-0.03	-0.47	+0.62
HIGH YIELD								
Stone Cont	02/01	9.88	B	94.3750	0.00	-	-	-
AK Stl	12/01	9.13	BB-	99.5000	0.00	-	-	-
Pacalia	08/04	10.75	B-	91.0000	0.00	-	-	-

NY closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	4.61
Broker loan rate	7¾	Two month	-	Three year	4.51
Fed.funds	5¼	Three month	4.82	Five year	4.50
Fed.funds at intervention	-	Six month	4.88	10-year	4.66
		One year	4.71	30-year	5.14

INTERNATIONAL BONDS

Sep 22	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	110.3900	4.25	-0.04	-0.22	+0.30
Spain	01/07	5.750	AA	110.2200	4.26	-0.03	-0.26	+0.31
Philip Morris	03/04	5.375	A	103.6800	4.66	-0.05	-0.15	+0.72
Finland FRN	09/02	3.531	AA	100.0056	3.12	-0.06	-0.16	-0.49
EURO FFR								
Austria	01/04	5.500	AAA	107.6300	3.88	-0.05	-0.19	+0.15
Abbey Nat	02/04	8.000	AA	109.4900	4.00	+0.01	-0.19	+0.27
Cred Foncier	02/04	9.125	A	122.6500	4.33	-0.02	-0.16	+0.60
3CIF FRN	12/01	3.617	AA-	99.9506	3.52	-0.05	-0.14	-0.14
EURO LIRA								
EIB	02/07	7.000	AAA	118.3500	4.34	-0.04	-0.27	-0.03
Abbey Nat	02/02	6.800	AA	108.3700	4.11	-0.02	-0.18	-0.09
Walt Disney	06/00	8.625	A	107.3100	4.17	-0.03	-0.18	+0.18
EIB FRN	03/01	4.743	AAA	100.1110	3.73	-0.01	-0.19	-0.19
EURO £								
EIB	12/07	7.625	AAA	114.6111	5.55	-0.07	-0.39	+0.82
Dresdner Bk	12/07	7.750	AA-	110.0065	6.28	-0.04	-0.15	+1.35
British Gas	03/00	7.625	A+	101.1869	[illegible]	-0.07	-0.59	+0.66
Abbey Nat FRN	02/02	7.900	AA	100.1471	5.37	-0.07	-0.67	+0.03
EURO $								
EIB	04/07	7.250	AAA	113.4300	5.26	-0.12	-0.44	+0.67
ABN Amro	06/07	7.125	n/a	107.6891	5.98	-0.13	-0.17	+1.39
Quebec	01/07	7.000	A+	107.7750	[illegible]	-0.15	-0.13	+1.22
Citicorp FRN	02/04	5.750	A+	100.5682	5.50	-0.14	+0.15	+1.00
EURO C$								
Bayer L-Bk	08/04	8.500	AAA	118.9094	5.63	-0.15	-0.41	+0.16
Toronto	08/04	8.500	AA+	113.8209	5.58	-0.15	-0.38	+0.11
Bell Canada	07/99	10.625	A+	103.7896	5.61	-0.08	-0.22	+0.96
Deutsche B FRN	09/02	6.875	AAA	100.4085	5.76	-0.14	-0.16	+0.34
EURO YEN								
World Bank	03/02	6.250	AAA	116.3328	[illegible]	+0.07	-0.27	-0.04
Spain	03/03	5.750	AA	118.1136	0.51	[illegible]	-0.25	-0.05
Cred Foncier	08/02	4.750	A	114.2638	0.98	+0.07	-0.27	+0.42
Italy FRN	07/99	0.727	AA	100.2280	0.01	+0.01	-0.12	-0.26

London closing. Source: Interactive Data/FT Information. Standard & Poor's ratings. Yields. Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Tue Sep 22	Day's change %	Mon Sep 21	Accrued interest	xd adj. ytd
1 Up to 5 years (18)	120.69	-0.12	120.84	2.07	7.56
2 5-15 years (19)	171.67	-0.29	172.16	3.04	7.34
3 Over 15 years (5)	224.34	-0.44	225.32	2.80	8.20
4 Irredeemables (4)	303.24	-0.61	305.98	[illegible]	[illegible]
5 All stocks (46)	163.09	-0.27	163.53	2.84	[illegible]
Index-linked					
6 Up to 5 years (2)	220.77	-0.12	221.04	1.07	4.36
7 Over 5 years (9)	240.43	-0.38	[illegible]	1.35	5.06
8 All stocks (11)	236.62	-0.34	237.43	1.30	[illegible]

UK Indices

	Low coupon yield Sep 22	Sep 21	Yr. ago	Medium coupon yield Sep 22	Sep 21	Yr. ago	High coupon yield Sep 22	Sep 21	Yr. ago
5 yrs	5.23	5.22	6.66	5.33	5.28	6.76	5.31	5.24	6.82
15 yrs	4.77	4.73	6.63	4.93	4.89	6.64	[illegible]	4.95	6.72
20 yrs	4.72	4.69	6.63	4.91	4.88	6.61	4.98	[illegible]	6.72
Irred.†	4.98	4.98	6.72						

	Inflation 5% Sep 22	Sep 21	Yr. ago	Inflation 10% Sep 22	Sep 21	Yr. ago
Up to 5 yrs	2.73	2.69	3.45	2.01	1.98	2.72
Over 5 yrs	2.43	2.40	3.38	2.23	2.19	3.28

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date

FT Fixed Interest Indices

	Sep 22	Sep 21	Sep 18	Sep 17	Sep 16	Yr ago	High*	Low*
Govt. Secs. (UK)	111.56	111.87	111.09	111.06	110.05	98.52	111.87	93.31
Fixed Interest	151.31	151.51	151.02	150.49	149.85	130.15	151.51	115.32

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UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts* (Lives up to Five Years)							
Treas 15½pc '98		15.50	4.47	100xd	-1/32	108¼	100
Exch 12pc 1998		11.92	7.06	100[illegible]	-1/32	105[illegible]	100[illegible]
Treas 9½pc 1999		9.43	6.85	100[illegible]	-1/32	103[illegible]	100[illegible]
Treas Flg Rate 1999		-	-	100[illegible]	—	100[illegible]	100[illegible]
Exch 12¼pc 1999		11.93	6.90	102[illegible]xd	-1/32	107[illegible]	102[illegible]
Treas 10½pc 1999		10.36	6.79	102[illegible]	-1/32	105[illegible]	102¼
Treas 6pc 1999		6.02	6.50	99[illegible]	-1/32	99[illegible]	98[illegible]
Conv 10¼pc 1999		9.83	6.26	104[illegible]	-1/16	106[illegible]	103[illegible]
Treas 8½pc 2000	✡	8.26	6.20	102[illegible]	-1/32	103[illegible]	101[illegible]
Conv 9pc 2000		8.67	6.30	103[illegible]	-1/32	105[illegible]	102[illegible]
Treas 13pc 2000		11.65	6.05	111[illegible]	-1/32	117[illegible]	110[illegible]
Treas 8pc 2000		7.58	5.80	104[illegible]	-1/32	104[illegible]	102[illegible]
Treas Flg Rate 2001		-	-	100[illegible]	—	100[illegible]	100[illegible]
Treas 10pc 2001		9.15	5.80	109[illegible]	-1/32	110[illegible]	107[illegible]
Conv 9½pc 2001	✡	8.70	5.89	109[illegible]	-1/32	109[illegible]	106[illegible]
Conv 9¾pc 2001	✡	8.86	5.80	110[illegible]	-1/32	110[illegible]	107[illegible]
Treas 7pc 2001		6.74	5.59	103[illegible]	-1/32	104[illegible]	98[illegible]
Exch 12pc 1999-2	✡	11.82	7.18	101½	-1/32	106[illegible]	101½
Conv 10pc 2002	✡	8.74	5.47	114[illegible]	-1/16	114[illegible]	110[illegible]
Treas 7pc 2002		6.66	5.43	105[illegible]	-1/32	105[illegible]	100[illegible]
Conv 9½pc 2002	✡	8.39	5.47	113[illegible]	-1/16	113[illegible]	109[illegible]
Treas 9¾pc 2002		8.49	5.49	114[illegible]	-1/16	116[illegible]	110[illegible]
Exch 9pc 2002	✡	7.99	[illegible]	112[illegible]	-¼	112[illegible]	108[illegible]
Conv 9¾pc 2003	✡	8.34	[illegible]	116[illegible]	-¼	117[illegible]	112[illegible]
Treas 8pc 2003		7.20	5.27	111[illegible]	-1/32	111[illegible]	104[illegible]
Treas 10pc 2003		8.32	5.30	120[illegible]	-1/32	120[illegible]	114[illegible]
Treas 13¾pc 2000-3	✡	12.16	6.07	113[illegible]	-1/32	117[illegible]	112[illegible]
Five to Fifteen Years							
Treas 6½pc 2003		6.14	5.18	105[illegible]	-1/32	106[illegible]	100½
Treas 11½pc 2001-4		10.18	5.82	112[illegible]	-1/32	114[illegible]	110[illegible]
Treas 10pc 2004	✡	8.18	5.36	122[illegible]	-1/32	122[illegible]	115[illegible]
Funding 3½pc 1999-4		3.62	4.12	96[illegible]	-1/32	97[illegible]	87[illegible]
Conv 9½pc 2004		7.79	5.23	121[illegible]	-[illegible]	122[illegible]	114[illegible]
Treas 6¾pc 2004		6.22	5.12	108[illegible]	-[illegible]	108[illegible]	99[illegible]
Conv 9½pc 2005		7.70	5.22	123[illegible]	-[illegible]	123[illegible]	114[illegible]
Exch 10½pc 2005	✡	8.06	5.26	130[illegible]	-[illegible]	130[illegible]	121[illegible]
Treas 12½pc 2003-5		9.46	5.25	132[illegible]	-[illegible]	132½	126[illegible]
Treas 8½pc 2005		7.08	5.14	119[illegible]	-[illegible]	120[illegible]	109[illegible]
Conv 9¾pc 2006	✡	7.45	5.06	130[illegible]	-[illegible]	131[illegible]	119[illegible]
Treas 7½pc 2006		6.47	5.07	116	-[illegible]	116[illegible]	104[illegible]
Treas 7¾pc 2006		6.62	5.11	117	-[illegible]	117[illegible]	105[illegible]
Treas 8pc 2002-6		7.35	5.51	108[illegible]	-[illegible]	109[illegible]	103[illegible]
Treas 11¾pc 2003-7	✡	9.50	5.54	123[illegible]	-¼	123[illegible]	119[illegible]
Treas 8½pc 2007		6.85	5.08	124[illegible]	-[illegible]	124[illegible]	111½
Treas 7¼pc 2007		6.20	4.94	116[illegible]	-[illegible]	117¼	103½
Treas 13½pc 2004-8	✡	9.70	5.23	139[illegible]xd	-[illegible]	139½	133[illegible]
Treas 9pc 2008		6.86	4.98	131[illegible]	-[illegible]	131[illegible]	117[illegible]
Treas 8pc 2009		6.38	4.96	125½xd	-[illegible]	125[illegible]	109[illegible]
Treas 5¾pc 2009		5.37	4.92	107[illegible]	-[illegible]	107[illegible]	99[illegible]
Treas 6¼pc 2010		5.60	4.95	111[illegible]	-[illegible]	112[illegible]	95½
Conv 9pc Ln 2011		6.55	5.00	137[illegible]	-½	137[illegible]	119¼
Treas 9pc 2012		6.46	5.00	139½	-[illegible]	140[illegible]	120[illegible]
Treas 5½pc 2008-12		5.20	4.76	105¾	-[illegible]	106[illegible]	90
Treas 7¾pc 2012-15		6.14	5.01	126[illegible]	-[illegible]	126[illegible]	108[illegible]
Over Fifteen Years							
Treas 8pc 2013		6.09	4.99	131[illegible]xd	-[illegible]	132	111[illegible]
Treas 8pc 2015		5.90	[illegible]	135[illegible]	-[illegible]	136[illegible]	113[illegible]
Treas 8¾pc 2017		5.96	4.91	146[illegible]	-[illegible]	147[illegible]	122¼
Exch 12pc 2013-17	✡	6.95	5.10	172[illegible]	-½	173[illegible]	150[illegible]
Treas 8pc 2021		5.59	4.84	143	-[illegible]	143[illegible]	115[illegible]
Treas 6pc 2028		4.95	4.67	121[illegible]	-[illegible]	122[illegible]	99[illegible]
Undated							
Consols 4pc		5.18	-	77¼	-[illegible]	77[illegible]	57[illegible]
War Loan 3½pc		4.93	-	71[illegible]	-[illegible]	71[illegible]	52[illegible]
Conv 3½pc '61 Aft		3.98	-	88[illegible]	-[illegible]	88[illegible]	68[illegible]
Treas 3pc '66 Aft		5.42	-	55[illegible]	-[illegible]	55[illegible]	41[illegible]
Consols 2½pc		4.97	-	50[illegible]	-[illegible]	50[illegible]	36[illegible]
Treas. 2½pc		5.03	-	49[illegible]	-[illegible]	49[illegible]	36

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
2pc '99	✡	7.54	2.51	194[illegible]	-¼	195[illegible]	185[illegible]
2½pc '01	(78.3)	2.85	3.25	201¼xd	-¼	201[illegible]	191[illegible]
2½pc '03	(78.8)	2.66	2.91	200[illegible]	-[illegible]	200[illegible]	188[illegible]
4⅜pc '04	(135.6)	2.51	2.71	129[illegible]	-[illegible]	129[illegible]	121[illegible]
2pc '06	(69.5)	2.49	2.64	221[illegible]	-[illegible]	221[illegible]	199[illegible]
2½pc '09	(78.8)	2.45	2.57	202[illegible]	-[illegible]	203[illegible]	180[illegible]
2½pc '11	(74.6)	2.45	2.55	214[illegible]	-¼	215[illegible]	188[illegible]
2½pc '13	(89.2)	2.42	2.51	180[illegible]	-[illegible]	180[illegible]	155[illegible]
2½pc '16	(81.6)	2.41	2.49	197[illegible]	-[illegible]	197[illegible]	168[illegible]
2½pc '20	(83.0)	2.42	2.49	194¼	-[illegible]	195[illegible]	160[illegible]
2½pc '24	(97.7)	2.38	2.44	166[illegible]	-[illegible]	167[illegible]	134[illegible]
4⅛pc '30	(135.1)	2.35	2.41	164[illegible]	-[illegible]	165	131[illegible]

Prospective real redemption rate on projected inflation of (1) 5% and (2) 3%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for January 1998: 159.5 and for August 1998: 163.7

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Asian Dev 10¼pc 2009		7.51	5.61	136[illegible]	—	136[illegible]	125[illegible]
B'ham 11½pc 2012		7.64	6.25	150½	—	150½	137½
Leeds 13½pc 2006		8.22	-	146½xd	—	148½	138½
Liverpool 3½pc Irred		6.03	-	58xd	—	58	48
LCC 3pc '20 Aft		6.00	-	50	—	50	41
Manchester 11½pc 2007		8.30	5.95	138½	—	138½	128½
Met. Wtr. 3pc 'B'		3.37	5.60	89	—	89	84
N'wide Anglia 3⅝pc IL 2021		-	3.32	180[illegible]	—	187[illegible]	172¼
4⅝pc IL 2024		-	3.30	173[illegible]	—	187½	147

● 'Tap' stock. All UK Gilts are tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ✡ Indicative price.

صكنا من الاهل

lans sliding
or euro deals

Russian venture

Time starts to run out for the yen

MARKETS REPORT

By Simon Kuper

The yen dropped yesterday on fears that the Japanese political deal over bank reforms was unravelling.

However, those fears may have been unwarranted. Late in the day Japan's opposition parties agreed to start putting the deal into law, after the ruling Liberal Democratic Party said public funds would not be injected into the ailing Long Term Credit Bank of Japan.

Solving the problems of the banking sector is considered a prerequisite for dragging Japan out of recession.

The yen also suffered from traders anticipating the end of temporary capital flows into Japan. These flows have had two sources: Japanese companies repatriating capital to boost their balance sheets before the end of the fiscal half-year on September 30; and hedge funds selling emerging market assets they had bought with borrowed yen, and then repaying the yen.

With both these flows now ceasing, most in the market think the yen's bounce is over. The currency dropped Y1.9 against the dollar to close in London at Y135.3. It fell Y0.97 against the D-Mark to Y80.27.

Wall Street, which had risen on Monday on belief that President Bill Clinton would keep office, gave back some of its gains yesterday. That restrained the dollar against the D-Mark. Joe Prendergast, head of foreign exchange research at Credit Suisse First Boston in London, said it was wrong to think that the dollar moved in tandem with stocks.

Rather, "the dollar has been correlating quite well with the performance of risky assets."

Marc Chandler, senior currency economist at Deutsche Bank in New York, said the growing calm over Latin America was helping the dollar. There was much talk of support packages from the leading economies to save Brazil from devaluing, while several Latin American states have tightened fiscal policy.

However, the dollar closed barely changed against the D-Mark at DM1.685.

■ US and European bankers agree on one thing: they have not agreed to joint interest rate cuts.

William McDonough, president of the Federal Reserve bank of New York, said this notion had been an "over-reaction" in markets. However, he held out some hope of a US cut, saying that in the world economy "the balance of risk has shifted from one of concern about inflation to one of concern about inadequate growth". Going into the Fed's Open Market committee meeting next Tuesday, he would "continue to be very aware of potential weakness in our economy".

On the other hand, he said this did not mean the Fed was poised to lower rates, nor that he would back a rate cut next week.

Wim Duisenberg, president of the European central bank, said that Italy, Spain, Ireland and Portugal would have to cut their interest rates to levels near those in Germany before the euro was launched in January. He also denied that there would be "coordinated action on interest rates".

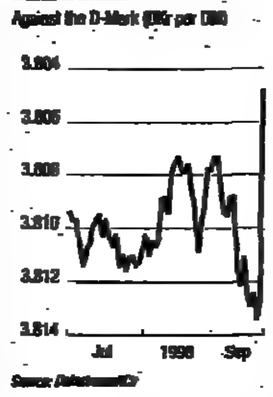
■ It was a happy day for Scandinavian currencies. The Danish krone jumped as the market decided that Denmark would raise interest rates for the second time in a week. That helped the Swedish krona, which was due a bounce anyway following Monday's post-election plummet. And the Norwegian krone gained with oil prices, on the prospect of oil producing nations agreeing to cut production.

So strong was the Danish krone, hitting a 10-month high against the D-Mark, that the Bank of Denmark intervened in the market against its currency. It had previously intervened for it constantly for a week.

Goldman Sachs warned: "We see little justification for speculation against the currency when the exchange rate is not overvalued according to our measures." It noted that Denmark's current account was close to balance, and that the government was "credibly committed to a narrow exchange rate band in ERM-2".

The Swedish krona benefited after Erik Asbrink, finance minister, said that Sweden would push ahead with plans to make its central bank independent.

Danish krone
Against the D-Mark (DKr per DM)



Source: Datastream/ICV

■ POUND IN NEW YORK

Sep 22	—Latest—	— Prev. close —
£ spot	1.6840	1.6805
1 mth	1.6814	1.6781
3 mth	1.6763	1.6729
1 yr	1.6570	1.6535

■ OTHER CURRENCIES

Sep 22	£	$
Czech Rep	51.4319 - 51.5297	30.5580 - 30.5910
Hungary	369.042 - 369.429	219.250 - 219.350
Iran	5082.80 - 4947.82	3000.00 - 3000.00
Kuwait	0.5117 - 0.5123	0.3040 - 0.3042
Peru	5.0893 - 5.0913	3.0200 - 3.0230
Poland	6.0292 - 6.0362	3.5820 - 3.5840
Russia	26.9312 - 28.6314	16.0000 - 17.0000
U.A.E.	6.1821 - 6.1864	3.6728 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Sep 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.8811	+0.0245	530 - 092	20.0034	19.8812	19.8817	4.2	19.7692	[illegible]	[illegible]	3.1	103.0
Belgium	(BFr)	58.5255	+0.0691	744 - 765	58.6340	58.2550	58.329	4.0	57.9805	3.7	56.6852	3.1	103.8
Denmark	(DKr)	10.7934	-0.0145	859 - 008	10.8422	10.7747	10.7785	1.9	10.7518	1.5	10.6379	1.4	107.4
Finland	(FM)	8.6374	+0.0099	308 - 442	8.6550	8.6150	8.6093	4.0	8.5545	3.8	8.3621	3.2	82.9
France	(FFr)	9.5108	+0.0104	087 - 149	9.5320	9.4880	9.4761	4.1	9.4214	3.8	9.2113	3.1	107.4
Germany	(DM)	2.8368	+0.0035	357 - 379	2.8448	2.8281	2.827	4.2	2.8091	3.9	2.7473	3.2	105.8
Greece	(Dr)	487.086	-2.575	748 - 424	491.464	484.743	489.519	-6.0	494.106	-5.8	511.676	-5.1	89.9
Ireland	(I£)	1.1332	+0.0003	321 - 343	1.1362	[illegible]	1.1319	1.4	1.1282	1.8	[illegible]	2.7	[illegible]
Italy	(L)	2802.94	+3.79	084 - 504	2808.62	2795.58	2797.12	2.5	2788.26	2.4	2726.43	2.7	76.8
Luxembourg	(LFr)	58.5255	+0.0691	744 - 765	58.6340	58.2550	58.329	4.0	57.9808	3.7	56.6852	3.1	103.8
Netherlands	(Fl)	3.1995	+0.0048	979 - 010	3.2071	3.1904	3.1878	4.3	3.1679	4.0	3.0989	3.2	103.3
Norway	(NKr)	12.6373	+0.0307	289 - 456	12.6654	12.5638	12.6462	-0.8	12.6584	-0.6	12.6567	-0.1	93.3
Portugal	(Es)	290.842	+0.453	672 - 013	291.543	290.155	290.055	3.2	288.628	3.2	282.678	3.0	92.8
Spain	(Pta)	241.729	+1.184	578 - 880	241.885	240.180	241.128	3.0	239.905	3.0	234.688	2.9	77.8
Sweden	(SKr)	13.2853	-0.0787	771 - 934	[illegible]	13.2482	13.2488	3.3	13.1859	3.0	12.9761	2.3	81.8
Switzerland	(SFr)	2.3408	+0.0108	381 - 430	2.3470	2.3290	2.3302	5.3	2.3096	5.8	2.2281	4.9	108.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.8
Ecu	-	1.4438	+0.001	427 - 449	[illegible]	1.4338	1.4397	3.4	1.4324	3.2	1.4207	3.0	-
SDR†	-	1.228200	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6834	-0.0003	829 - 839	1.6869	1.6711	-	-	-	-	-	-	-
Brazil	(R$)	1.9925	+0.0031	916 - 933	1.9943	1.9748	-	-	-	-	-	-	-
Canada	(C$)	2.5736	+0.0066	724 - 748	[illegible]	2.5577	2.5697	1.8	2.5594	1.7	2.5346	1.5	77.8
Mexico	(New Peso)	16.9638	-0.3977	466 - 767	17.0383	16.7217	17.4327	[illegible]	16.3701	-33.2	21.4149	-26.2	-
USA	($)	1.6837	-0.0002	832 - 842	1.6863	1.6714	1.681	1.9	1.6761	1.8	1.6666	1.6	103.9
Pacific/Middle East/Africa													
Australia	(A$)	2.8867	+0.0164	865 - 908	[illegible]	2.8800	2.8626	2.5	2.872	2.3	2.8367	1.8	77.8
Hong Kong	(HK$)	13.0462	-0.0008	414 - 509	[illegible]	12.9517	13.0561	-0.9	13.113	-2.0	13.8217	-3.6	-
India	(Rs)	71.5699	+0.0135	402 - 996	71.5996	71.0460	-	-	-	-	-	-	-
Indonesia	(Rupiah)	18689.12	-2.2	320 - 304	[illegible]	18228.00	18718.03	-88.1	21412.28	-88.3	27918.13	[illegible]	-
Israel	(Shk)	6.4624	+0.0058	354 - 893	6.4893	6.4554	-	-	-	-	-	-	-
Japan	(Y)	227.721	+3.038	586 - 855	228.190	225.200	226.321	7.4	223.621	7.2	213.076	6.4	122.5
Malaysia	(M$)	6.3981	-0.0007	982 - 000	6.4038	6.3513	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.4063	+0.0542	018 - 107	3.4107	3.3510	3.4014	1.7	[illegible]	1.5	3.3789	0.8	88.8
Philippines	(Peso)	74.5246	+0.2437	655 - 837	75.2037	[illegible]	75.4434	-4.3	78.5192	-4.5	81.3280	-8.5	-
Saudi Arabia	(SR)	6.3162	-0.0005	130 - 174	6.3208	6.2684	6.3103	0.9	6.3018	0.8	6.2733	0.7	-
Singapore	(S$)	2.9171	-0.002	145 - 196	[illegible]	2.8880	2.912	2.1	2.9024	2.0	2.8672	1.7	-
South Africa	(R)	9.9843	-0.3258	645 - 041	10.2661	9.9845	10.1086	-14.8	10.3327	-14.0	11.2577	-13.8	-
South Korea	(Won)	2354.63	+8.82	311 - 620	2358.20	2333.63	-	-	-	-	-	-	-
Taiwan	(T$)	[illegible]	[illegible]	[illegible] - 549	58.2642	57.8121	58.3084	-1.8	58.49	-1.8	59.1174	-1.5	-
Thailand	(Bt)	[illegible]	-0.1345	370 - 627	68.4627	67.5580	68.5121	[illegible]	[illegible]	-4.3	73.2686	-7.3	-

† Rates for Sep 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.8555	+0.016	542 - 568	11.9400	11.8440	11.8327	2.3	11.7947	[illegible]	11.569	1.5	104.0
Belgium	(BFr)	34.7600	+0.057	400 - 800	34.9850	34.7400	34.6975	2.2	34.5925	1.9	34.215	1.6	103.3
Denmark	(DKr)	6.4105	-0.0079	080 - 130	6.4585	6.4065	6.4105	0.8	6.4147	-0.3	6.4255	-0.2	105.6
Finland	(FM)	5.1300	+0.0065	275 - 325	5.1653	5.1239	5.1268	2.2	5.1038	2.0	5.047	1.6	82.4
France	(FFr)	5.6488	+0.0060	460 - 495	5.6887	5.6442	5.6382	2.3	5.621	2.0	5.5596	1.6	107.1
Germany	(DM)	1.6849	+0.0023	847 - 850	1.6966	1.6829	1.6817	2.3	1.675	2.1	1.6582	1.6	105.5
Greece	(Dr)	289.295	-1.495	180 - 410	292.900	289.040	291.195	-7.9	294.795	-7.6	308.945	-6.9	60.4
Ireland	(I£)	1.4858	-0.0006	840 - 880	1.4868	1.4768	1.4851	0.6	1.4856	0.0	1.502	-1.1	-
Italy	(L)	1664.75	+2.45	400 - 550	1676.50	1662.74	1663.80	0.8	1662.35	0.6	1645.35	1.2	76.6
Luxembourg	(LFr)	34.7600	+0.057	400 - 800	34.9850	34.7400	34.6975	2.2	34.5925	1.9	34.215	1.6	103.9
Netherlands	(Fl)	1.9003	+0.003	900 - 009	1.9134	1.8982	1.8964	2.5	1.8901	2.2	1.8582	1.6	103.1
Norway	(NKr)	7.5060	+0.0191	985 - 095	7.5587	7.4701	7.5227	-2.7	7.5522	-2.5	7.619	-1.8	92.6
Portugal	(Es)	172.740	+0.29	690 - 790	173.880	172.590	172.542	1.4	172.143	1.4	170.25	1.4	92.5
Spain	(Pta)	143.570	+0.72	520 - 620	144.050	143.120	143.437	1.1	143.122	1.2	141.635	1.3	77.2
Sweden	(SKr)	7.8905	-0.0458	860 - 950	7.9984	7.8805	7.8811	1.4	7.867	1.2	7.5318	0.7	81.5
Switzerland	(SFr)	1.3902	+0.0065	897 - 905	1.3966	1.3866	1.3851	4.4	1.3793	4.0	1.3451	3.4	108.5
UK	(£)	1.6837	-0.0002	832 - 842	1.6853	1.6714	1.681	1.9	1.6761	1.8	1.6568	1.6	102.4
Ecu	-	1.1662	-0.001	656 - 667	1.1693	1.1557	1.1676	-1.5	1.1701	-1.4	1.1825	-1.4	-
SDR†	-	0.72869	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0001	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1834	+0.002	832 - 836	1.1839	1.1817	-	-	-	-	-	-	-
Canada	(C$)	1.5286	+0.0041	283 - 288	1.5331	1.5258	1.5287	-0.1	1.5289	-0.1	1.5298	-0.1	77.0
Mexico	(New Peso)	10.0750	-0.236	700 - 800	10.1000	10.0700	10.37	-35.1	10.96	-35.1	12.925	-28.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	110.6
Pacific/Middle East/Africa													
Australia	(A$)	1.7157	+0.0099	150 - 164	1.7203	1.7084	1.7149	0.6	1.7123	0.8	1.7016	0.8	76.4
Hong Kong	(HK$)	7.7485	+0.0005	480 - 490	7.7490	7.7480	7.7665	-2.8	7.8226	-3.9	8.167	-5.3	-
India	(Rs)	42.5875	+0.0125	025 - 125	42.5150	42.4800	42.9375	-12.1	43.7575	-11.8	47.0025	-10.8	-
Indonesia	(Rupiah)	11100.00	-	000 - 000	11200.00	10850.00	11730	-68.1	12775	-60.4	16550	-51.8	-
Israel	(Shk)	3.8382	[illegible]	352 - 412	3.8462	3.8352	-	-	-	-	-	-	-
Japan	(Y)	135.250	+1.82	210 - 290	136.000	134.170	134.685	5.8	133.415	5.4	128.695	4.9	115.2
Malaysia	(M$)	3.8000	-	000 - 000	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.0231	+0.0025	210 - 251	2.0251	1.9980	2.0262	-1.8	2.0316	-1.7	2.0594	-1.8	-
Philippines	(Peso)	44.5000	+0.15	000 - 000	44.7000	44.3000	44.8775	-10.2	45.653	-10.4	49.085	-10.3	-
Saudi Arabia	(SR)	3.7506	+0.0001	505 - 510	3.7518	3.7508	3.7537	-0.9	3.7566	-1.6	3.7863	-0.9	-
Singapore	(S$)	1.7325	-0.001	315 - 335	1.7395	1.7210	1.7322	0.2	1.7318	0.2	1.7306	0.1	-
South Africa	(R)	5.9300	-0.1945	200 - 400	6.1300	5.9200	6.0085	-15.9	6.1647	-15.8	6.855	-15.6	-
South Korea	(Won)	1398.50	+6	800 - 900	1399.00	1380.00	-	-	-	-	-	-	-
Taiwan	(T$)	34.5685	+0.081	720 - 850	34.5800	34.5580	34.6685	-3.5	34.8605	-3.8	35.8985	-3.2	-
Thailand	(Bt)	40.8250	-0.075	000 - 500	40.6500	40.0000	40.755	-3.8	41.25	-6.2	44.3	-9.0	-

† SDR rate per $ for Sep 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 21: Base average 1990=100. [illegible] THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Sep 22	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	[illegible]	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.19
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.50	5.00	5.16
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.31	5.29	5.18	5.01	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate fixed at 11am. Bid rates are shown for the domestic Money Rates, US $ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 22	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.425	96.410	-0.025	96.425	96.405	[illegible]	[illegible]
Mar	96.475	96.465	-0.020	96.470	96.460	1,157	[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct	96.445	96.455	[illegible]	96.465	96.440	2076	[illegible]
Mar	96.475	96.470	-0.015	96.475	96.460	47515	[illegible]
Jun	96.445	96.445	-0.020	96.450	96.420	[illegible]	[illegible]
Sep	96.410	96.415	-0.025	96.420	96.390	23084	[illegible]

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct	-	96.550	-0.005	-	-	0	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.150	96.170	+0.010	96.200	96.120	17953	159087
Mar	96.450	96.440	-0.010	96.450	96.430	[illegible]	[illegible]
Jun	96.390	96.420	-0.010	96.420	96.390	1945	[illegible]
Sep	96.390	96.380	-0.020	96.400	96.350	[illegible]	41211

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.320	98.300	-0.050	98.340	98.260	13761	[illegible]
Mar	98.330	[illegible]	[illegible]	98.330	98.270	[illegible]	[illegible]
Jun	98.230	[illegible]	[illegible]	98.240	98.190	[illegible]	[illegible]
Sep	98.130	98.140	-0.040	98.140	98.100	1267	15918

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	99.40	-	-	-	0	n.a.
Mar	-	99.43	-	-	-	0	n.a.
Jun	99.45	99.45	-	99.45	99.45	400	n.a.

* LIFFE futures also traded on APT

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov	-	[illegible]	-0.005	-	-	0	0
Mar	-	96.460	-0.015	-	-	0	5155
Jun	-	[illegible]	-0.020	-	-	0	1981
Sep	-	96.405	-0.025	-	-	0	1333

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
96125	0.165			0.120		
96250	0.100	0.300	0.330	0.180	0.110	0.160
96375	0.063			0.260		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 66760 Puts 20803

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.25	4.847	1.938	4789	5.467	21.59	497.0	413.0	22.70	3.999	1.709	4.308	2.877	389.1	2.467
Denmark	(DKr)	54.22	10	8.812	2.628	1.050	2597	2.964	11.71	269.5	224.0	12.31	2.169	0.927	2.385	1.560	211.0	1.338
France	(FFr)	61.54	11.35	10	2.983	1.191	2947	3.364	13.29	305.8	254.2	13.97	2.461	1.051	2.705	1.770	239.4	1.518
Germany	(DM)	20.63	3.805	3.353	1	0.399	988.0	1.128	4.455	102.5	85.21	4.683	0.825	0.353	0.907	0.594	80.27	0.509
Ireland	(I£)	51.65	9.525	8.393	2.503	1	2473	2.823	11.15	256.7	213.3	11.72	2.066	0.882	2.271	1.486	201.0	1.274
Italy	(L)	2.088	0.385	0.339	0.101	0.040	100	0.114	0.451	10.38	8.624	0.474	0.084	0.036	0.092	0.060	8.124	0.052
Netherlands	(Fl)	18.29	3.373	2.973	0.887	0.354	876.0	1	3.950	90.90	75.55	4.152	0.732	0.313	0.804	0.526	71.17	0.451
Norway	(NKr)	46.31	8.541	7.526	2.245	0.897	2218	2.532	10	230.1	191.3	10.51	1.852	0.791	2.037	1.332	180.2	1.142
Portugal	(Es)	20.12	3.711	3.270	0.975	0.390	963.7	1.100	4.345	100	83.11	4.566	0.805	0.344	0.885	0.579	78.30	0.496
Spain	(Pta)	24.21	4.466	3.935	1.174	0.469	1160	1.324	5.228	120.3	100	5.496	0.968	0.414	1.065	0.697	94.20	0.597
Sweden	(SKr)	44.05	8.124	7.159	2.135	0.853	2110	2.408	9.513	218.9	182.0	10	1.762	0.753	1.937	1.257	171.4	1.087
Switzerland	(SFr)	25.00	4.611	4.063	1.212	0.484	1197	1.367	5.399	124.3	103.3	5.676	1	0.427	1.100	0.719	97.29	0.617
UK	(£)	58.53	10.79	9.511	2.837	1.133	2803	3.200	12.64	290.8	241.7	13.29	2.341	1	2.574	1.684	227.7	1.444
Canada	(C$)	22.74	4.194	3.696	1.102	0.440	1089	1.243	4.910	113.0	93.92	5.162	0.909	0.389	1	0.654	88.48	0.561
USA	($)	34.78	6.411	5.649	1.685	0.673	1665	1.900	7.506	172.7	143.6	7.891	1.390	0.594	1.529	1	135.3	0.857
Japan	(Y)	25.70	4.740	4.177	1.246	0.498	1231	1.405	5.550	127.7	106.2	5.834	1.028	0.439	1.130	0.739	100	0.634
Ecu	-	40.54	7.478	6.588	1.965	0.785	1941	2.216	8.754	201.4	167.4	9.202	1.621	0.693	1.788	1.166	157.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5945	0.5947	-0.0001	0.5960	0.5920	24,611	146,427
Mar	0.5963	0.5963	-0.0018	0.5953	0.5963	29	185
Jun	-	-	-	-	-	-	149

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7264	[illegible]	-0.0028	0.7264	0.7208	16,122	58,116
Mar	-	0.7296	-0.0029	-	0.7278	22	126
Jun	0.7325	0.7350	-0.0035	0.7325	0.7325	-	5

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7523	0.7486	-0.0062	0.7545	0.7437	17,387	75,508
Mar	-	0.7580	-0.0086	-	0.7542	13	2,094
Jun	-	0.7720	-	-	0.7659	70	648

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6700	1.6734	+0.0002	1.6754	1.6642	5,362	50,629
Mar	-	-	-	-	-	2	[illegible]
Jun	-	-	-	-	-	1	204

UK INTEREST RATES

LONDON MONEY RATES

Sep 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 7	[illegible]	[illegible]	[illegible]	[illegible]	7 - [illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	7 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	[illegible]	-	-

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Sep 4, 7.0984pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 28, 1998. Agreed rate for period Sep 23, 1998 to Oct 25, 1998, Scheme III 8.99pc. Reference rate for period Aug 1, 1998 to Aug 28, 1998, Schemes IV & V 7.740pc. Finance House Base Rate 8pc from Sep 1, 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.930	92.930	-0.010	92.940	92.900	31794	185053
Mar	93.360	93.350	-0.030	93.380	93.310	33329	180085
Jun	93.680	93.650	-0.060	93.680	93.630	31297	155144
Sep	93.930	93.800	-0.060	93.830	93.780	24738	124337
Dec	93.830	93.820	-0.050	93.840	93.800	9305	138891

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
92750	0.270	0.680	0.875	0.080	0.080	0.075
92875	0.200			0.145		
93000	0.135	0.475	0.770	0.205	0.125	0.120
93125	0.090			0.285		
93250	0.065	0.325	0.580	0.385	0.225	0.190
93375	0.045			0.490		

Est. vol. total, Calls 24989 Puts 46145. Previous day's open int., Calls 457417 Puts 402473

EMS EUROPEAN CURRENCY UNIT RATES

Sep 22	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	357.000	[illegible]	-1.373	-5.48	[illegible]	37
Ireland	0.798244	0.784652	[illegible]	-1.45	[illegible]	10
Denmark	7.54257	[illegible]	-0.01375	-1.06	[illegible]	7
Italy	[illegible]	1938.51	-0.01	-0.98	0.35	7
Spain	168.220	166.612	[illegible]	-0.95	0.33	7
France	6.63186	6.57531	+0.00172	-0.81	0.18	7
Germany	1.97738	1.96182	+0.00053	-0.79	0.16	8
Belgium	[illegible]	40.4702	+0.0085	-0.77	0.15	6
Austria	13.9119	13.8039	+0.0031	-0.78	0.15	6
Portugal	202.692	201.156	+0.089	-0.76	0.13	5
Netherlands	2.22799	2.21229	+0.00063	-0.70	0.08	5
Finland	6.01125	5.97370	+0.00155	-0.62	0.00	4
NON ERM MEMBERS						
UK	0.653644	0.691589	-0.000748	5.81	-6.08	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92 Sterling suspended from ERM. 16/3/98 Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.680	[illegible]	2.02	[illegible]	1.57	2.33	2.88
1.690	1.08	1.51	1.80	2.16	2.86	-
1.700	0.73	[illegible]	1.09	-	-	-

Previous day's vol., Calls 75 Puts 291. Prev. day's open int., Calls 1,123 Puts 3,889

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
0.585	1.28	1.58	1.79	0.48	0.71	0.84
0.590	0.98	1.38	1.47	0.67	0.91	1.04
0.595	0.72	1.04	1.24	0.92	1.15	1.32

Previous day's vol., Calls 186 Puts [illegible] Prev. day's open int., Calls 2,582 Puts 8,859

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.79	94.75	-	94.77	94.73	74,188	483,425
Mar	95.03	95.02	-0.01	95.03	95.00	[illegible]	405,306
Jun	95.10	95.18	-	95.11	95.08	78,825	398,876

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	95.61	95.61	+0.0001	[illegible]	95.61	244	1,380
Mar	-	-	-	-	-	1	[illegible]
Jun	95.80	95.86	+0.03	95.86	95.80	-	22

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
96375	0.050	0.085	0.110		0.025	0.030	0.065	
96500	0.020	0.040	0.060	0.150	0.120	0.140	0.160	0.180
96625	0.005	0.015	[illegible]		0.230	0.240	0.250	
96750	0	0.010	0.020	0.075	[illegible]	0.360	0.370	0.355

Est. vol. total, Calls 8538 Puts 919. Previous day's open int., Calls 300663 Puts 318657

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
98500	0.050	0.120	0.165	0.260	0.310	0.435
98625	0.030			0.355		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 13155 Puts 4372

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.00	Smith & Williamson	7.50
Allied Irish Bank (GB)	7.50	Financial & Gen Bank	8.00	Sun Bank	7.50
●Henry Ansbacher	7.50	●Robert Fleming & Co	7.50	TSB	7.50
Banco Bilbao Vizcaya	7.50	Habib Bank AG Zurich	7.50	United Bank of Kuwait	7.50
Bank of Cyprus	7.50	Heritable & Gen Inv Bk	7.50	Unity Trust Bank Plc	7.50
Bank of Ireland	7.50	C. Hoare & Co	7.50	Whiteaway Laidlaw	7.50
Bank of India	7.50	●Hambros Bank	7.50	Yorkshire Bank	7.50
Bank of Scotland	7.50	Hongkong & Shanghai	7.50		
Barclays Bank	7.50	Investec Bank (UK) Ltd	7.50	● Members of London Investment Banking Association	
Brit Bk of Mid East	7.50	Julian Hodge Bank	7.50		
●Brown Shipley & Co Ltd	7.50	●Leopold Joseph & Sons	7.50		
Citibank NA	7.50	Lloyds Bank	7.50		
Clydesdale Bank	7.50	Midland Bank	7.50		
The Co-operative Bank	7.50	NatWestminster	7.50		
Coutts & Co	7.50	●Rea Brothers	7.50		
Cyprus Popular Bank	7.50	Royal Bk of Scotland	7.50		
Duncan Lawrie	7.50	Scottish Widows Bank	7.50		
		●Singer & Friedlander	7.50		

CONTRACTS & TENDERS

PTS POST & TELESTYRELSEN

THE NATIONAL POST AND TELECOM AGENCY (PTS) IN SWEDEN

An inivitation to Declaration of Interest in a licence to provide mobile radiobased telecommunications services for flight telephony, Terrestrial Flight Telephony System (TFTS), according to standard from European Telecommunications Standardisation Institute (ETSI)

The National Post and Telecom Agency's direction (PTSFS 1994:4) gives conditions for procedure as regards an application and principles of selection for a TFTS-licence in Sweden. Section 5 of the direction prescribes that no more then two TFTS-licences will be granted. PTS granted Telia a licence 11 May 1995 and Cable & Wireless Lightnet Ltd. a licence 8 February 1996 in providing mobile radiobased telecommunications for flight telephony according to the system TFTS. Cable & Wireless Flightnet Ltd.'s licence thought was withdrawn at their own request according to a PTS decision 30 May 1997 (Hk-97-7363). Anyone interested in the second licence should therefore submit a Declaration of interest in writing not later than 15 October 1998. The Declaration of interest is free of charge.

A time table for a possible invitation will be announced not later than 15 November 1998. After that regulations and a guide for applicants can be obtained through PTS. The application for a licence is subject to an application fee amounting to 100.000 SEK which should be paid to PTS.

A possible evaluation for licence will be based upon the Telecommunications Act (1993:597) and will proceed in stages according to PTS direction. PTSFS 1994:4.

Further information concerning the Declaration of Interest can be obtained from Patrick Soric, tel +46-8-678 55 98, or Ann-Marie Engvall, tel +46-8-678 56 58. FAX +46-8-678 55 05.

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IN THE MATTER OF
REALMPARK HEALTH CARE (EALING) LIMITED
AND IN THE MATTER OF THE INSOLVENCY RULES 1986

In accordance with rule 4.106 of the Insolvency Rules 1986 notice is hereby given that Daniel Robert Smith and S Bower of Robson Rhodes, 186 City Road, London EC1V 2NU, were appointed Joint Liquidators of the above company by the members on 4 September 1998 and creditors on Wednesday 16 September 1998.

Dated 16 September 1998

DANIEL ROBERT SMITH AND S BOWER
Joint Liquidators

PERSONAL

PUBLIC SPEAKING

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LEGAL NOTICES

No: 005830 of 1998
In the High Court of Justice
Chancery Division Companies Court
In the Matter of
STAVELEY INDUSTRIES public limited company
and in the Matter of the Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on 4 September 1998 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named company from £50,000,000 to £49,060,000 by returning capital which is in excess of the wants of the Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 14th day of October 1998.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated the 18th day of September 1998.
LINKLATERS & PAINES (DTL)
One Silk Street, London EC2Y 8HQ
Solicitors for the above-named Company.

COMMODITIES & AGRICULTURE

EUROPEAN AGRICULTURE COMMISSION ORDERS STUDIES ON MARKET PROSPECTS AND FARMERS' INCOMES

CAP reforms 'could be affected by world turmoil'

By Michael Smith in St Wolfgang, Austria

Franz Fischler, European Union farm commissioner, conceded yesterday for the first time that the turmoil in the world's financial and food markets could affect his ambitious proposals for a reform of the Common Agricultural Policy.

He said the European Commission, the EU's executive, had ordered a series of studies on market prospects and farmers' incomes and expected to make them available shortly to countries negotiating on the so-called Agenda 2000 proposals for CAP reform.

Asked whether the commission would change its proposals for cutting guaranteed prices farmers receive for their produce, he told a meeting of farm ministers in St Wolfgang, Austria: "We need to assess all the complexities. We may well not have to amend our proposals."

Although negatively expressed, the suggestion that revisions may be needed is a change of tack by Mr Fischler, who has previously insisted there is little room for manoeuvre on his proposals for cuts of 30, 20 and 15 per cent in "support prices" – guaranteed when markets are depressed – for beef, cereals and milk.

The proposals have been strongly criticised by farmers and member states because of the fear that they will lead to sharp drops in income for the agricultural community. The commission has proposed farmers be given direct payments linked to the size of land holdings and animal numbers as compensation for the price cuts.

Even when the proposals were outlined more than a year ago, farmers said the compensatory payments were inadequate. They believe their problems will be exacerbated by a subsequent fall in commodity prices and the downward trend is likely to be confirmed by the political and financial turmoil in Russia, one of the EU's biggest export markets.

Commission officials said yesterday it was unlikely the forthcoming reports would lead to Mr Fischler formally amending his proposals but they could influence his negotiating position. They said it was by no means certain he would soften his stance.

Some analysts say support prices will have to fall further than planned if the EU is to be able to compete in world markets.

Mr Fischler also warned of potential delays to the reform programme posed by the European parliament's timetable for debating them. EU nations have said they will try to agree the agricultural reforms and accompanying changes to regional aid at a heads of government summit in March.

Mr Fischler said parliamentary leaders had indicated that the initial debate on the reforms may not take place until January. That would leave little time for follow-up discussions, he said. "It will not be easy."

Gold 'fixed' lower in London

MARKETS REPORT

By Paul Solman and Robert Corzine

Gold was "fixed" at $288.90 an ounce in London yesterday afternoon – almost $3 lower than the Monday afternoon fix. Traders said the fall was a reaction to the televised testimony of US President Bill Clinton.

"The release of the Clinton video failed to produce the expected fireworks," said Kamal Naqvi at Macquarie Bank. Gold is seen as a safe haven for investors in times of instability and tends to react inversely to movements in the US dollar.

Later in Europe, gold closed slightly higher at $289.70 against Monday's New York close of $289.20 as Wall Street shares fell and the dollar weakened.

Meanwhile, Jerry Ellis, chairman of BHP, said the Australian resources group was "more pessimistic about long-term copper prices than we were a year ago". BHP was forecasting a price of 95 US cents a pound in real terms and expected copper to stay below that price in the near term.

On the London Metal Exchange, three-month copper closed at $1,641.00 a tonne against $1,644 on Monday.

Crude oil prices were hit by profit-taking yesterday, with the bellwether Brent Blend for November delivery shedding 25 cents in early trading on London's International Petroleum Exchange.

Brent hit a low for the day of $14.13 a barrel before recovering in later trading to $14.34, just four cents down on the previous close.

On Monday, the November Brent contract hit a three-and-a-half month high of $14.45 a barrel, in large part because of the threat of hurricane Georges to refineries in the Caribbean.

PCS in profits warning

By Edward Alden in Toronto

Potash Corporation of Saskatchewan, the world's largest fertiliser company, warned yesterday its third-quarter earnings would be disappointing because of continued weak nitrogen markets.

Prices for nitrogen, the main ingredient for ammonia and urea fertilisers, have been depressed because of overcapacity, with production being increased in China, the former Soviet Union, India and the Middle East.

PCS entered the nitrogen market last year when it purchased Arcadian of the US, the western hemisphere's largest nitrogen company.

However, the nitrogen business, which is built on cheap natural gas supplies, is far more volatile than phosphate or potash, the company's core businesses.

PCS said its gross margins for nitrogen would be down more than US$20m from the third-quarter 1997 figure of $29.7m.

It is expecting net income per share of 90 cents to $1, compared with $1.33 in the same period last year.

Indonesian coal producers win fight for survival

Abundant natural resources have softened the effects of rupiah depreciation and falling domestic demand, says **Sander Thoenes**

Indonesia's largest coal producers have managed to keep up production, stay profitable and are looking to expand, in spite of a slump in world prices and a collapse of the local economy.

Stockpiles are low and sales are steady at Adaro, Kaltim Prima Coal and Arutmin, the three leading foreign-owned mines, in spite of prices dropping 10 to 20 per cent in the past year.

"We didn't get the price but we got the tonnage," says John Montgomery, in charge of Adaro's terminal on the Barito river. This year it will carry 10.5m tons of Envirocoal, named for its low ash and sulphur content, to loading cranes just off the island of Borneo.

KPC, owned jointly by British Petroleum and Rio Tinto, expects to sell 15m tons and Broken Hill Proprietary's Arutmin 7m tons.

"Margins are squeezed but we're surviving," says John Stephens, of BHP. "We've had no lay-offs, we still pay our taxes and royalties. That is money flowing into the community. That is good for Indonesia."

Indeed, it is Indonesia's abundance of natural resources that has softened the triple whammy of rupiah depreciation, ballooning debts and falling domestic demand on the economy.

The industrialised island of Java is suffering badly, but the farmers, plantations, mines and oil and gas producers on the outer islands have seen stable exports that have kept rupiah revenues in line with, if not higher than, inflation.

The fall in coal prices has hit hard and challenged Adaro's efforts to obtain a premium for its product. All three believe they will be forced into the risky and crowded spot market as clients choose to avoid long-term contracts.

However, the companies also enjoy varying degrees of windfall from the depreciation of the rupiah, which reduces the dollar share of expenditures.

Rupiah expenditures are 10 per cent of Arutmin's costs and 20 per cent at Adaro, as much of their work is done by contractors who charge dollar rates. KPC controls much of its operations, but the complexity of its seams requires sophisticated, imported and costly equipment.

Located in distant parts of the Kalimantan jungle, these companies have been relatively sheltered but not immune to the economic and political upheaval in Java.

Adaro will need to make up for an expected delay in annual sales of 3m tons to the Paiton power plants because state-owned PLN, which buys their electricity, cannot afford the dollar-denominated rates.

Adaro and Arutmin have suffered a recent influx of renegade miners stripping seams inside their lease areas; all three face difficulties negotiating compensation for land use.

They have had to increase wages and give bonuses, often in kind, to compensate for a dramatic rise in food prices. The cost of importing explosives and spare parts is rising fast.

Economic hardship, compounded by drought and bush fires this year, has also boosted the cost of assisting local communities.

Conflicts over taxation and refunds have taken their toll, in part a result of the cash crunch on the government. The tax service has insisted on charging value added tax on 13.5 per cent of production, but has been late with rupiah refunds.

"We've had to make enormous savings to produce anything like the profit expectations of our shareholders," says Howard Russell, general manager for organisation at KPC.

Adaro has an easy mine, with seams 30 metres thick, but KPC and BHP are shifting production to cheaper seams that are closer to processing plants and require less dirt removal, the prime cost factor.

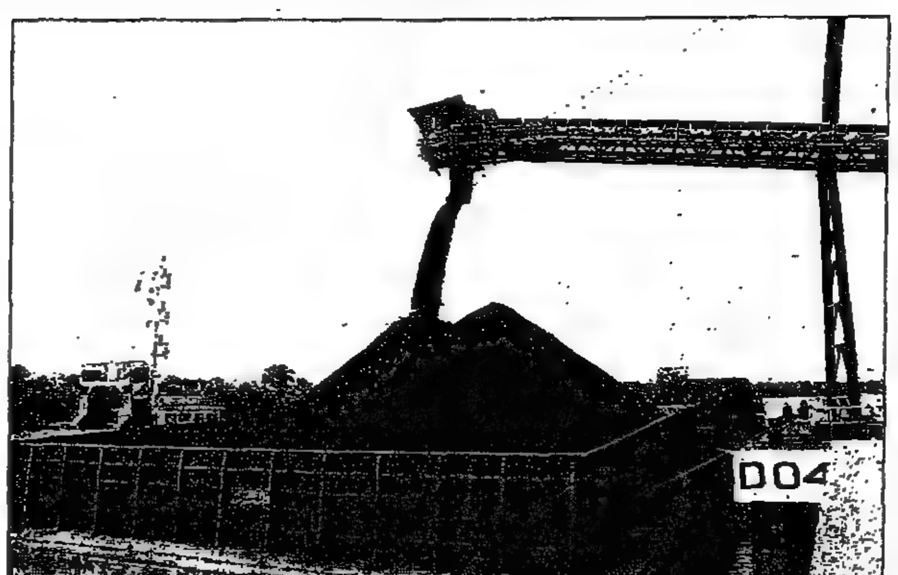
BHP has renegotiated prices with its contractors and taken over some operations, while Adaro has delayed exploration.

The next blow is likely to be a sharp increase in the price of diesel, now subsidised, as all three mines are truck and shovel operations.

The government is stepping up pressure on KPC and Arutmin to fulfil divestment obligations in their contracts, already well behind schedule.

Tambang Timah, the partially privatised tin producer, is considering an offer from KPC for a 23 per cent share, priced at $176m. Arutmin has offered a stake to five Indonesian companies.

However, Indonesia looks set to continue enjoying revenues from the coal industry, and possibly more than before. Adaro intends to double production to 20m tons, financed from cash flow, while KPC has scaled down its plans but has still asked shareholders to fund expansion from 15m to 20m tons.



Adaro's terminal on the Barito river carries coal to loading cranes off Borneo — Sander Thoenes

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1299-300	1331-33
Previous	1306-7	1338-9
High/low		1344/1326
AM Official	1308.5-10	1340-40.5
Kerb close		1326-26.5
Open int.	264,887	
Total daily turnover	53,530	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1128-33	1160-61
Previous	1135-40	1165-70
High/low		1167/1160
AM Official	1135-37	1167-70
Kerb close		1158-60
Open int.	7,255	
Total daily turnover	3,016	

■ LEAD ($ per tonne)

Close	510-1	526-8
Previous	512.5-3.0	527.5-8.0
High/low		528/524
AM Official	511.5-2	526-6.5
Kerb close		524-5
Open int.	38,538	
Total daily turnover	8,822	

■ NICKEL ($ per tonne)

Close	4030-40	4105-10
Previous	4000-10	4070-80
High/low		4130/4080
AM Official	4035-45	4105-15
Kerb close		4130-40
Open int	80,112	
Total daily turnover	18,385	

■ TIN ($ per tonne)

Close	5480-90	5400-10
Previous	5525-35	5415-20
High/low		5425/5400
AM Official	5500-05	5410-15
Kerb close		5390-400
Open int.	12,980	
Total daily turnover	2,956	

■ ZINC, special high grade ($ per tonne)

Close	965-6	990-1
Previous	968-9	993-4
High/low		997/987
AM Official	968-9	993-4
Kerb close		991-2
Open int	85,388	
Total daily turnover	19,765	

■ COPPER, grade A ($ per tonne)

Close	1612-13	1635-36
Previous	1619-20	1643-4
High/low		1655/1630
AM Official	1620-21	1644-44.5
Kerb close		1629-30
Open int.	165,669	
Total daily turnover	82,408	

■ LME AM Official £/$ rate: 1.6767
LME Closing £/$ rate: 1.6845

Spot: 1.6838 3 mths: 1.6783 6 mths: 1.6697 9 mths: 1.6632

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	73.95	-0.50	74.90	73.40	560	2,490
Oct	73.55	-0.75	74.80	73.20	222	3,495
Nov	73.50	-1.05	73.80	73.30	10	2,125
Dec	73.65	-1.00	75.20	73.40	4,195	29,043
Jan	73.90	-0.95	74.05	73.90	14	2,094
Feb	74.05	-0.95	74.00	74.00	26	1,210
Total					5,319	59,529

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold/Troy oz	$ price	£ equiv	SFr equiv
Close	289.20-289.70		
Opening	289.00-289.30		
Morning fix	288.50	172.33	403.04
Afternoon fix	288.90	172.07	402.87
Day's High	289.60-289.90		
Day's Low	288.30-288.60		
Previous close	291.80-292.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month .... 4.98 6 months 4.04
2 months .... 4.83 12 months 3.61
3 months 4.66

Silver Fix	p/troy oz.	US cts equiv.
Spot	291.72	489.50

Silver Lending Rates

1 month .... 3.90 6 months 2.05
2 months .... 3.10 12 months 1.95
3 months 2.95

Gold Coins	$ price	£ equiv.
Krugerrand	290-294	172-175
New Sovereign	67-71	40-42

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	287.5	-1.0	288.0	288.0	1	1
Oct	287.7	-1.1	288.8	287.4	766	9,166
Dec	290.5	-1.1	292.6	290.4	31,436	79,580
Feb	292.3	-1.1	294.0	292.4	907	16,622
Apr	294.1	-1.1	295.5	295.0	346	11,472
Jun	295.8	-1.1	297.3	296.5	87	15,034
Total					33,688	174,460

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	353.3	-2.8	358.5	352.5	1,152	8,899
Jan	353.7	-3.1	358.5	353.0	256	2,575
Apr	354.7	-3.1	-	-	23	58
Jul	355.7	-3.1	360.0	360.0	5	26
Total					1,408	11,666

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Sep	283.75	-6.30	-	-	5	10
Dec	278.75	-6.30	279.00	276.00	242	2,780
Mar	278.25	-6.30	-	-	-	326
Total					262	3,118

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Sep	484.5	+3.9	488.5	484.5	48	83
Dec	489.0	+3.8	492.5	486.5	11,687	53,810
Jan	491.2	+3.6	-	-	4	48
Mar	493.0	+3.6	496.0	491.5	313	9,990
May	495.6	+4.2	494.5	494.5	1	1,760
Jul	498.0	+4.7	-	-	200	2,796
Total					12,288	74,674

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	15.44	-0.05	15.53	15.27	30,201	23,139
Nov	15.62	-0.05	15.72	15.45	62,725	113.8k
Dec	15.75	-0.03	15.83	15.60	40,024	81,961
Jan	15.86	-0.01	15.93	15.85	7,743	43,813
Feb	16.02	+0.01	16.02	15.98	2,173	20,450
Mar	16.13	+0.02	16.13	16.11	258	16,897
Total					181,791	488,984

■ CRUDE OIL IPE ($/barrel)

	8pm price	Day's change	High	Low	Vol	Open int
Nov	14.28	-0.10	14.35	14.13	23,119	78,851
Dec	14.45	-0.07	14.52	14.30	8,602	51,746
Jan	14.57	-0.05	14.60	14.42	5,286	36,584
Feb	14.69	-0.02	14.70	14.54	2,790	16,230
Mar	14.78	-0.03	14.78	14.64	488	13,473
Apr	14.91	-	-	-	-	8,343
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	41.65	-0.34	42.15	41.50	12,153	29,904
Nov	42.75	-0.26	43.20	42.60	8,453	37,184
Dec	43.90	-0.11	44.11	43.65	2,762	25,933
Jan	44.70	-0.11	44.90	44.50	1,167	24,802
Feb	45.30	-0.11	45.60	45.11	1,293	19,214
Mar	45.30	-0.21	45.60	45.40	97	16,592
Total					28,580	191,876

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	127.00	-2.50	128.75	126.50	8,386	32,466
Nov	130.00	-2.25	131.50	129.00	4,194	21,228
Dec	132.50	-1.50	133.50	131.50	2,176	38,407
Jan	135.00	-1.00	135.50	134.25	321	16,797
Feb	136.75	-2.25	137.25	136.25	216	13,435
Mar	138.00	-1.50	138.25	138.00	12	8,070
Total					19,106	183,761

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Oct	12.200	-0.020	12.200	12.100	270	3,780
Nov	13.850	-	13.850	13.800	85	2,755
Total					760	27,745

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	2.240	+0.053	2.340	2.189	29,875	41,644
Nov	2.450	+0.036	2.530	2.405	11,371	36,889
Dec	2.620	+0.043	2.670	2.587	6,668	32,848
Jan	2.685	+0.034	2.710	2.635	2,956	30,096
Feb	2.540	+0.035	2.565	2.495	1,527	20,709
Mar	2.370	+0.020	2.400	2.380	1,097	18,756
Total					88,370	278,420

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	45.55	+0.08	45.85	45.17	11,807	22,646
Nov	45.45	+0.02	45.90	45.25	7,703	[illegible]
Dec	45.85	-0.03	46.40	45.70	2,220	9,335
Jan	46.40	-0.08	46.80	46.30	389	4,372
Feb	47.15	-0.03	47.15	47.10	430	3,052
Mar	48.00	+0.02	48.00	48.00	144	2,210
Total					22,823	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	71.25	-	-	-	-	51
Nov	72.35	+0.10	72.50	72.10	80	2,585
Jan	74.20	-	74.50	74.00	80	2,311
Mar	76.00	-0.20	76.50	76.00	127	1,538
May	78.00	+0.10	78.45	77.70	34	1,408
Total					321	7,878

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	274.25	+3.50	274.75	271.00	15,561	84,277
Mar	289.25	+3.00	289.75	286.25	2,263	27,873
May	299.00	+4.00	299.00	296.00	454	5,319
Jul	309.00	+3.50	309.00	306.50	698	11,912
Sep	317.00	+4.00	-	-	1	486
Dec	330.00	+4.50	-	-	3	316
Total					19,011	130,110

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	206.50	+1.25	207.25	204.50	31,962	184,164
Mar	218.75	+0.75	219.75	217.00	4,209	63,518
May	225.50	+1.00	227.25	224.75	1,700	24,263
Jul	232.75	+1.00	233.25	230.50	2,080	34,443
Sep	238.75	+0.75	239.25	237.50	275	5,680
Dec	247.75	+1.25	248.25	246.00	1,575	15,203
Total					42,585	327,817

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Sep	71.00	-	-	-	-	-
Nov	71.75	-0.25	72.25	71.75	145	880
Jan	74.25	-	74.70	74.45	187	484
Mar	76.25	+0.05	-	-	-	60
May	77.25	+0.50	-	-	-	23
Total					332	1,448

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	529.75	+5.75	531.00	523.00	27,783	92,741
Jan	539.75	+4.75	541.00	534.00	1,843	25,648
Mar	548.75	+5.00	551.00	544.75	1,766	19,994
May	558.75	+4.00	560.50	554.25	321	7,706
Jul	567.50	+4.75	569.00	563.25	730	10,512
Aug	567.00	+4.60	568.00	566.00	2	640
Total					33,214	161,440

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Oct	25.50	-0.04	25.65	25.25	3,527	22,642
Dec	25.67	-0.05	25.75	25.37	5,206	48,688
Jan	25.64	-0.06	25.68	25.35	747	11,360
Mar	25.46	-0.02	25.50	25.15	951	16,388
May	25.30	-0.07	25.37	25.18	421	6,091
Jul	25.23	-0.02	25.25	25.00	586	7,825
Total					11,910	117,424

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Oct	126.6	+0.7	127.4	126.0	7,665	21,551
Dec	130.9	+1.0	131.9	129.7	10,408	67,461
Jan	133.1	+1.6	134.3	132.3	1,237	15,548
Mar	137.6	+0.9	138.7	137.0	777	14,453
May	141.5	+0.7	143.0	141.0	186	7,748
Jul	147.1	+1.4	147.2	145.6	264	7,389
Total					21,850	139,520

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Nov	80.0	-	-	-	-	3
Mar	125.0	-	-	-	-	-
Apr	158.0	+8.0	158.0	152.0	67	1,884
May	168.0	+8.0	-	-	-	29
Jun	178.0	+8.0	-	-	-	-
Total					67	1,984

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Sep	915	+10	918	915	15	103
Oct	978	+3	995	978	113	498
Jan	1020	-	1032	1020	11	411
Apr	1035	-10	-	-	-	201
Jul	920	-10	918	910	4	200
Total					181	1,880

	Close	Prev
BFI	980	981

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	429.00	-6.00	431.50	429.00	20	372
Mar	456.00	-4.50	456.00	456.00	5	107
Total					27	486

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	983	+7	-	-	13	31
Dec	1016	+4	1021	1011	1,263	[illegible]
Mar	1045	+3	1050	1041	615	40,548
May	1063	+3	1065	1060	95	15,392
Jul	1081	+3	1079	1079	11	9,343
Sep	1096	+2	1102	1098	272	28,846
Total					2,217	173,345

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1521	-1	1534	1510	1,682	33,921
Mar	1580	-1	1570	1582	449	21,189
May	1585	-3	1595	1579	505	6,294
Jul	1612	-4	1624	1607	16	1,919
Sep	1637	-7	1650	1650	-	1,880
Dec	1664	-10	1675	1675	34	4,939
Total					3,128	73,780

■ COCOA (ICCO) (SDR's/tonne)

Sep 21	Price	Prev. day
Daily	1197.00	1197.63

■ COFFEE LIFFE (5 tonnes; $/tonne)

Sep	1680	+41	[illegible]	1630	107	1,399
Nov	1605	+47	1612	1569	3,316	19,142
Jan	1565	+47	1570	1529	611	7,082
Mar	1542	+44	1541	1512	451	2,417
May	1527	+44	1526	1500	135	940
Jul	1517	+44	1520	1495	27	412
Total					4,847	31,413

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	102.85	+0.90	103.95	101.50	6,112	18,280
Mar	101.85	+1.10	103.00	100.75	1,364	7,509
May	102.85	+1.10	103.75	101.50	617	3,411
Jul	104.85	+1.30	104.50	102.75	84	1,540
Sep	105.35	+1.10	106.00	105.75	237	1,479
Dec	107.45	+1.20	108.25	108.28	129	466
Total					8,443	32,685

■ COFFEE (ICO) (US cents/pound)

Sep 21		Prev. day
Comp. daily	91.55	92.25
15 day average	98.75	97.45

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Dec	217.8	+2.3	219.0	215.6	1,087	15,107
Mar	224.0	+3.1	224.9	221.1	605	14,004
May	228.5	+3.3	228.4	226.1	87	2,467
Aug	232.0	+3.4	231.9	231.8	15	1,763
Oct	232.5	+2.4	-	-	-	1,219
Dec	236.1	+2.8	-	-	-	136
Total					1,804	34,665

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Oct	7.19	+0.22	7.20	7.00	9,791	30,853
Mar	7.64	+0.19	7.69	7.51	10,617	76,322
May	7.73	+0.20	7.78	7.64	1,882	12,412
Jul	7.81	+0.21	7.84	7.70	586	8,441
Oct	8.20	+0.15	8.21	8.18	496	9,057
Total					23,828	164,195

■ COTTON NYCE (50,000lbs; cents/lbs)

Oct	74.90	+0.97	74.96	74.05	395	1,184
Dec	76.49	+0.86	76.65	75.65	5,300	37,811
Mar	75.39	+0.44	75.45	74.80	789	20,954
May	74.90	+0.35	74.90	74.48	234	10,280
Jul	74.70	+0.35	74.75	74.35	104	6,612
Total					6,849	85,755

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	105.85	+2.55	107.25	103.90	4,255	15,574
Jan	108.85	+2.55	110.25	107.00	1,270	7,045
Mar	111.70	+2.50	112.80	109.80	388	4,312
May	114.10	+2.30	113.75	113.50	16	783
Jul	116.40	+2.15	117.50	116.00	12	325
Sep	118.40	+2.15	-	-	-	36
Total					5,941	28,108

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Sep 22	Sep 21	month ago	year ago
1467.9	1463.9	1513.5	1931.3

■ CRB Futures (Base: 1967 = 100)

Sep 21	Sep 18	month ago	year ago
201.72	202.18	-	-

■ GSCI Spot (Base: 1970 = 100)

Sep 21	Sep 18	month ago	year ago
152.21	152.47	140.62	195.24

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+575	to	501,975
Aluminium alloy	+60	to	75,880
Copper	+7,800	to	309,000
Lead	-50	to	115,225
Nickel	-84	to	68,958
Zinc	-1,725	to	367,775
Tin	+40	to	8,410

Tea from the Tea Brokers' Association Mombasa There was strong and improved demand. Brighter BPI's appreciated by 5-20 cents, while mediums were firm to 10 cents dearer. Lower mediums and plainer sorts were dearer by about 5-20 cents. Brighter Spouring PF1's continued irregular. Coloury mediums held firm, but lighter sorts were dearer by about 5-15 cents. Lower mediums and plainer sorts were dearer by about 10-30 cents. Brighter and mediums P.Dusts were irregularly easier, but lower mediums and plainer sorts were dearer by about 10-20 cents. Brighter and medium Dust1's were easier. Lower mediums and plainer sorts were dearer.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	61.800	-0.250	62.225	61.550	5,178	30,249
Dec	63.900	-0.025	64.100	63.550	3,336	32,799
Feb	64.325	+0.125	64.400	64.050	1,069	16,936
Apr	66.775	+0.200	66.850	66.450	1,041	8,322
Jun	62.800	-	62.900	62.625	812	5,983
Aug	62.675	+0.050	62.800	62.650	398	1,614
Total					11,834	95,970

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Oct	41.375	-0.325	42.175	41.300	3,006	10,872
Dec	40.200	-0.190	40.980	40.050	2,359	13,893
Feb	44.280	-0.825	45.200	44.100	582	5,802
Apr	46.375	-0.300	46.950	46.350	128	1,835
Jun	55.250	-0.225	55.700	55.000	221	1,401
Jul	56.300	-0.100	56.400	56.050	17	373
Total					6,348	34,614

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	47.825	+0.500	48.150	46.225	878	2,851
Mar	47.925	+0.375	48.100	46.250	51	219
May	48.500	+1.500	48.500	47.000	4	[illegible]
Total					933	[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Nov	Feb	Nov	Feb
1350	25	59	43	53
1400	10	36	78	81
1450	3	24	121	115
■ COPPER (Grade A) LME	Nov	Feb	Nov	Feb
1600	75	113	33	60
1700	29	66	87	110
1800	8	35	166	177
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1550	72	102	7	37
1600	41	73	17	58
1650	21	50	36	85
■ COCOA LIFFE	Dec	Mar	Dec	Mar
975	55	86	14	18
1000	38	66	23	21
1025	27	52	38	32
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1400	70	-	13	-
1450	47	80	-	-
1500	28	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$13.78-3.89x	-0.04
Brent Blend (dated)	$14.39-4.42	+0.095
Brent Blend (Nov)	$14.31-4.34	-0.035
W.T.I.	$15.60-5.62x	-0.04

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$157-159	-3
Gas Oil	$128-129	-3
Heavy Fuel Oil	$66-68	+2.5
Naphtha	$128-131	
Jet fuel	$145-146	-3
Diesel	$142-143	-2

■ NATURAL GAS (Pence/therm)

Bacton (Oct)	12.18-12.25	+0.01

Petroleum Argus. Tel London (0171) 359 8792

■ OTHER

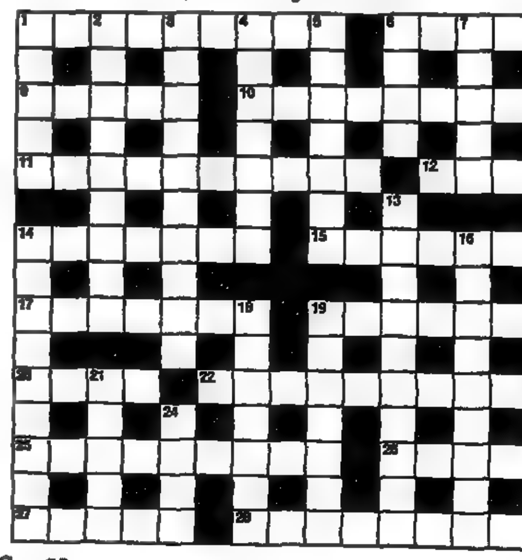
Gold (per troy oz)§	$289.45	-2.60
Silver (per troy oz)§	489.50c	-15.50
Platinum (per troy oz.)	$353.00	-0.50
Palladium (per troy oz.)	$275.50	
Copper	84.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.22r	
Tin (New York)	251.5	
Cattle (live weight)	78.98p	*
Sheep (live weight)	74.25p	*
Pigs (live weight)	37.94p	*
Lon. day sugar (raw)	$173.20	+4.40
Lon. day sugar (wte)	$214.20	+0.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	48.25p	+1.25
Rubber (Nov)♥	48.75p	+1.25
Rubber (KL RSS No1)	261.00m	
Coconut Oil (Phil)§	630.0y	-10.0
Palm Oil (Malay)§	695.0	
Copra (Phil)§	$410.0y	+2.5
Soyabeans (US)	152.0y	+2.0
Cotton Outlook'A' Index	65.60	
Wooltops (64s Super)	390p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Aug/Sep. x Sep. ♥London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on sale of pigs sold

JOTTER PAD

CROSSWORD

No.9,794 Set by CINEPHILE



C = 20

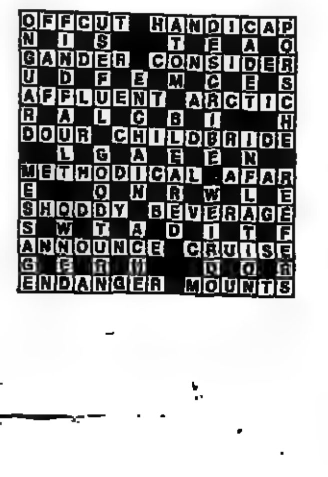
ACROSS

1 Cattle (with C variety) enthusiast with bitter herbs (9)
6 Howard in film sells birds (5)
9 Poor fool with single sheet (5)
10 Internal flight? (9)
11 C plant as chaperon? (10)
12 Be quiet! Do go back and get something on your feet (4)
14 Able to read and write with no head? Say that again (7)
15 Unfortunately some – we – I – need to be reformed (3,2,2)
17 Setter's following James for shrub (with C variety) (7)
19 Full of praise for poetry? (7)
20, 22 There's optimism ahead with ... (4,2,4,4)
20,24 .... C, undoubtedly a pet owner (4,4)
25 Quiet type of wanderer in varied tint (9)
26 C reversed reversed D and E (5)
27 Fabric student has on after close sound (5)
28 Debt? On the record that's it (9)

DOWN

1 Proceed with a month's climb to spoil the view? (5)
2 Train of bloomers – nothing left inside (9)
3 Warning to predators changed soap before it came off (10)
4 Died at quarrel, which is outrageous (7)
5 Bird (with C variety) has two fights (7)
6 C in the orchestra (4)
7 C in a rage (5)
8 Veronica seems to go at a good pace (9)
13 Oystercatcher's fruit – terrible drivel (5,5)
14 Jab into the combustion chamber? (9)
16 Helped with extra shoots, say (9)
18 Rifle which doesn't start and goes wrong in the end (7)
19 King in Shakespeare play not cast among the dregs (7)
21 Term of endearment seeking suffix (5)
23 Regular time for it to happen (5)
24 See 20

Solution 9,793



هكذا من الأصل

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

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Offshore Insurances and Other Funds

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Royal & Sun Alliance Intl Financial Srvs - Contd. [illegible]

Royal Skandia Life Assurance Ltd (z) [illegible]

Scottish Equitable International SA [illegible]

Scottish Mutual International Plc
16/17 Borrisford Place, Dublin 1 [illegible]

Scottish Provident Intl Life Ass Ltd [illegible]

Scottish Widows International Ltd [illegible]

Sun Life International (IOM) Ltd [illegible]

OTHER OFFSHORE FUNDS

AXA Asset Management [illegible]

AXA Investment Managers Hong Kong Ltd [illegible]

Aberdeen Asset Management Asia Limited
India Growth Portfolio ... $9.73 10.08

Ability Fund Limited [illegible]

Acciones y Valores de Mexico SA de CV
Accival Sep 21 ... Peso58.33

Acuma Capital Management Limited [illegible]

Adolphi Europe Fund [illegible]

Advanced Asset Management Ltd
Advanced Asset Mngmt Ltd ... $978.49

Africa Emerging Markets Fund
NAV Jul 31 ... $12.98529

Alexandra Global Investment Fund I, Ltd [illegible]

Allenor Investment Holdings N.V. [illegible]

Allegro Capital Limited [illegible]

Alliance Capital [illegible]

Allied Dunbar International Fund Mngrs (1600) [illegible]

Alnista Capital Management Ltd [illegible]

Alpha Fund Management Ltd [illegible]

The Americas Trust Bank [illegible]

Apax Bank & Trust Company [illegible]

Aravis Capital Advisors LLC
Aravis Cooper Ltd ... $104.06

Ardent Investment Management Limited [illegible]

Argent Fund Management Limited [illegible]

Arisaig Partners (BVI) Ltd [illegible]

Aristocrat Capital Management Ltd [illegible]

Arnfield-Harman Investment Mgmt Inc [illegible]

Arnhold and S. Bleichroeder, Inc [illegible]

Asia Debt Management Hong Kong Ltd [illegible]

Asia Pacific Securities Corp Ltd [illegible]

Asian Convertibles & Income Fd (Cayman)
NAV Sep 17 ... $9.77

Atlantico Investment Ltd
Atlantico Libor Plus Jun 2 ... $107.81

Atlantic Investment Management, Inc [illegible]

Allianz Fund Management (Guernsey) Ltd [illegible]

Atlas Real Estate Hedge Fund Limited
NAV Aug 31 ... $107.15

Aurum Funds [illegible]

BBBI Bank [illegible]

BEA Associates [illegible]

BNP [illegible]

Julius Baer Bank & Trust Co Ltd [illegible]

Banca Reig, S.A. (Principality of Andorra) [illegible]

Banco do Brasil-BB Fund [illegible]

Banc Internacional D'Andorra Banca Mora [illegible]

Bank of America [illegible]

Bank of Nova Scotia Trust Co (Cayman) Ltd [illegible]

Bank Von Ernst & Cie AG [illegible]

Bque Fr Serv & Cr/Europ Inv Mgt Ltd [illegible]

Banque Nationale de Paris Plc [illegible]

For Barclays Global Inv see AXA for Managers

Baring International Group [illegible]

Baring Mutual (Ireland) Limited [illegible]

The Batavia Fund Ltd [illegible]

Bayard Partners Limited [illegible]

Beacon Ventures Ltd [illegible]

Bear, Stearns International Ltd [illegible]

Beaufort Capital Management [illegible]

Belgrave Capital Management Ltd [illegible]

Bellwest Funds [illegible]

Bermuda Capital Company Ltd [illegible]

Best International Management Inc [illegible]

Birla Capital International AMC (Mauritius) Ltd [illegible]

Blairmore Holdings Inc [illegible]

Bodart & Co [illegible]

Bonfield Asset Management Limited [illegible]

Bosano, Simonetta Latin American Fund [illegible]

Brown Simpson Asset Mgmt [illegible]

Brunswick Capital Management (Cayman) Ltd [illegible]

Buchanan Capital Management Ltd [illegible]

Butterfield Fund Managers (Cayman) Ltd [illegible]

CB Asset Management [illegible]

CDC International [illegible]

CMI. Fund Management Ltd [illegible]

Camco Investment Management Ltd [illegible]

Campbell & Co [illegible]

Capital Plus Management Limited [illegible]

Carlson Investment Management Far East Ltd [illegible]

Caspian Quantitative Asst Mngt Advsr LLC [illegible]

Cathay Investment Fund Limited [illegible]

Caxton Global Investments Limited [illegible]

Cazenove Funds Management Ltd [illegible]

Chameleon Funds Limited [illegible]

Champion Global Fund Management Ltd [illegible]

Chartered Asset Management PTE Ltd [illegible]

Chesapeake Capital Corporation [illegible]

Chescor Indian Investment Company Ltd [illegible]

Chilton Investment Partners LP [illegible]

The China Fund [illegible]

The China Invest & Development Fd Ltd [illegible]

China Securities Advisor Limited [illegible]

Citibank Global Asset Mgmt (Asia) Ltd [illegible]

Citizens Investment Trust Mgt & Secs Co Ltd [illegible]

Colbert Securities Asset Management Limited [illegible]

Columbus Asset Management Ltd [illegible]

Commercial Union [illegible]

Connor Asset Management Ltd [illegible]

Coutts & Co Ag [illegible]

Cowen & Co [illegible]

Cowen Enterprise Fund N.V. [illegible]

Craig Drill Capital Ltd [illegible]

Credit Suisse Asset Mgmt Funds [illegible]

For Credit Suisse Fund Boston see SEASAM Outsch Fd

Credit Agricole/INDOCAM [illegible]

Crosby Asset Management Ltd [illegible]

Crystal Corporation N.V. [illegible]

Crystal Fund Managers (Bermuda) Ltd [illegible]

Cutross Global Management Limited [illegible]

DWS Deutsche Ges. F. Wertpapiersp [illegible]

Daehan Investment Trust Co Ltd [illegible]

Daiwa Intl Capital Management (U.K.) Ltd [illegible]

Darier Hentsch Fund Management SA [illegible]

Delta Fund [illegible]

Delta Managed Funds Limited [illegible]

Deltec Panamerica Trust Company Ltd [illegible]

Deutsche Bank A.G. [illegible]

Discover Investment [illegible]

Dragon Securities Ltd [illegible]

Dresdner RCM Global Investors (UK) Ltd [illegible]

Dresdner Bank Investment Group [illegible]

Dublin & Swiss [illegible]

ESS Overseas Fund Ltd [illegible]

ENR Eastern Natural Resources SA [illegible]

East Europe Development Fund Ltd [illegible]

Edelweiss Portfolio Ltd [illegible]

Edinburgh Fund Managers (Bermuda) Ltd [illegible]

Egerton European Dollar Fund Ltd [illegible]

Egerton European Equity Fund Ltd [illegible]

Emerging Markets Management [illegible]

Endstone Trust SA [illegible]

The Environmental Investment Co Ltd [illegible]

Erasmus & Co Ltd [illegible]

Ermitage Group [illegible]

Europe 1992 [illegible]

Eurovest Ltd [illegible]

Everest Capital Limited [illegible]

F.I. Founders Asset Management Ltd (Intl) [illegible]

The FMG Fund Managers Ltd (Bermuda) [illegible]

Fairfield Greenwich Group [illegible]

Fairway International Ltd [illegible]

Falcon Fund International Inc [illegible]

Fairstein Capital Management Corporation [illegible]

Fidelity Advisor World Funds [illegible]

Fidelity Investments [illegible]

Fides Asset Management Ltd [illegible]

First Investments Ltd [illegible]

First Mexico Income Fund [illegible]

Fleming Leveraged Emerging Mkt Portfolio Ltd [illegible]

Focus Group [illegible]

Formosa Fund [illegible]

Formosa Growth Fund Limited [illegible]

Foyil Asset Management Ltd [illegible]

Framlington Group Plc [illegible]

Franck Asset Management [illegible]

Frank Russell Investments (Cayman) Ltd [illegible]

Future World Trade Fund [illegible]

GA - Bale Management Limited [illegible]

GBC Asset Management [illegible]

GM Fund Management (Bermuda) Ltd [illegible]

The GP Taiwan Index Fund [illegible]

GT Chile Growth Holdings Limited [illegible]

GT Global [illegible]

Gaia Currency Funds [illegible]

Gazelle Banking Ltd [illegible]

Garantie Fund of Funds Ltd [illegible]

Gems Management Ltd [illegible]

Genesis Fund Managers Ltd [illegible]

Glanz Capital Limited [illegible]

The Glenmore Property Fund Ltd [illegible]

Global Asset Management [illegible]

Global Asset Management - Contd. [illegible]

Global Alic Inc [illegible]

Global Convertible Megatrend [illegible]

Global Fund Management S.A. [illegible]

The Global Managed Investec Bond Limited [illegible]

Globalvest Management Co LP [illegible]

Goldman Sachs [illegible]

Griffin Capital Management [illegible]

Gresmann Asset Management [illegible]

Group One International Tst [illegible]

Gryphon Fund Management Ltd [illegible]

Guardian Global Asset Management Ltd [illegible]

HSBC Asset Management (Bahamas) Ltd [illegible]

Hambro-Spinner Renaissance Fund Ltd [illegible]

Hamon Investment Group [illegible]

Hansberger Investment Funds [illegible]

Hasenbichler Asset Management GmbH [illegible]

Hausmann Hldgs NV Curacao [illegible]

Heritage Investment Fund Ltd [illegible]

Herlyan Sicav [illegible]

Hermes Financial Management (Egypt) Ltd [illegible]

Hermitage Capital Management Ltd [illegible]

Highland Fund Advisors Limited [illegible]

Hull Capital Corps [illegible]

Hypothesis Capital Management Inc [illegible]

IBJ Schroder Bank & Trust Company [illegible]

IBJ Schroder Overseas Fund II [illegible]

IDF Inv & Development Financing Ltd [illegible]

IIOS [illegible]

Ibn Khaldoun International Equity Fund Limited [illegible]

ImPac Asia Pacific Funds Limited [illegible]

India Investment AG [illegible]

The India Magnum Fund Ltd [illegible]

The India Special Situations Fund Ltd [illegible]

India Value Investments Limited (IVIL) [illegible]

Indocam Asia [illegible]

Indocam Emerging Markets Asset Mgmt SA [illegible]

Insinger Asset Management [illegible]

The International Investor [illegible]

INVESCO Asset Management [illegible]

INVESCO France [illegible]

The Jaguar Fund N.V. [illegible]

Jardine Fleming Inv Mngt Ltd [illegible]

Jardine Fleming Unit Trusts Ltd [illegible]

Jardine Fleming Unit Trusts Ltd - Contd. [illegible]

Jupiter Asset Management (Asia) Ltd [illegible]

Jupiter Asset Mngt (Bermuda) Ltd [illegible]

KB Offshore Fund, G.V. [illegible]

Kenmar Management Limited [illegible]

Key Asset Management Inc [illegible]

King Street Capital Ltd [illegible]

Kingate Global Fund Ltd [illegible]

Kingdon Offshore N.V. [illegible]

Knight Asset Management Limited [illegible]

Korea Intl Investment Fund [illegible]

Korea Intl Investment Fund Ltd (II) [illegible]

Korea International Investment Fund Ltd (III) [illegible]

Korea International Investment Fund Ltd (IV) [illegible]

Korea International Investment Fund Ltd (V) [illegible]

Korea International Investment Fund Ltd (VI) [illegible]

Korea International Investment Fund Ltd (VII) [illegible]

Korea International Investment Fund Ltd (VIII) [illegible]

Korea Investment Trust Co Ltd [illegible]

LIM Asia Special Fund Inc [illegible]

Lansdowne European Equity Fund Limited [illegible]

Liberal Asset Management - LIBERAL FUND [illegible]

Lyxor Alternative Fund Ltd [illegible]

Lippo Asia Ltd [illegible]

Lloyd George Management [illegible]

Lloyds Fund Management Services SA [illegible]

Lloyds Bank International (Bahamas) Ltd [illegible]

M&I Unit Trust Managers Limited [illegible]

MC Bahamas Investment Company SA [illegible]

MCT Eastern Europe Ltd [illegible]

MD Sass Re/Enterprise International Ltd [illegible]

MFS Meridian Funds [illegible]

MPFC Overseas Limited [illegible]

McGlinn Global Fund Ltd [illegible]

Magnum Funds [illegible]

Magnum Funds - Contd. [illegible]

Magsey Management Limited [illegible]

Magna Asset Management [illegible]

E D & F Man Investment Products [illegible]

Marshall Wace Asset Management Limited [illegible]

Martin Currie Investment Management [illegible]

Masters International Advisors [illegible]

Matrix [illegible]

Mauritius Fund Ltd [illegible]

MeesPierson [illegible]

Merrill Lynch Asset Management [illegible]

Merrill Lynch Investment Partners [illegible]

Millennium Asset Management [illegible]

Mocatta Asset Mgmt [illegible]

Monetta Asset Management [illegible]

Mont Blanc Management Investments Ltd [illegible]

Montgomery Emerg Communications Fd Ltd [illegible]

Montgomery Emerging Markets Fund Ltd [illegible]

Montpellier Asset Management Ltd [illegible]

Moore Global Investment [illegible]

Morgan Stanley/DLL Global Allocation Fd Ltd [illegible]

Morgan Stanley Emerging Markets Income [illegible]

Morgan Stanley Offs Advisory Mortgage Fd Inc [illegible]

Mortimer & Scott [illegible]

National Investment Trust Company Ltd [illegible]

National Mutual Funds Management [illegible]

Nautilus Global Limited [illegible]

New Asia Asset Management Ltd [illegible]

Nicholas-Applegate Capital Mgmt [illegible]

Nordfield International Ltd (Bahamas) [illegible]

North Atlantic Management Co Ltd [illegible]

North Star Fund Managers (Cayman) Ltd [illegible]

Northern Light Funds Limited [illegible]

Oday Asset Management Ltd [illegible]

O'Higgins Asset Management [illegible]

Old Mutual Intl Fund Managers (IoM) Ltd [illegible]

Olympus Capital Management Ltd [illegible]

Omega Overseas Partners Ltd [illegible]

Oasis Fund Ltd [illegible]

Opportunity Fund (z) [illegible]

Options Fund Management [illegible]

Orbitex Management Ltd [illegible]

Oriental Development Company Ltd [illegible]

Orion Capital Advisers Ltd [illegible]

Oryx Fund Ltd [illegible]

Oryx International Growth Fund Ltd [illegible]

The Osprey Group Of Funds [illegible]

PFPC International Ltd [illegible]

PRS International [illegible]

Pacific Chartered Capital Mgmt Limited [illegible]

Pacific & General Investments Inc [illegible]

Pactual [illegible]

Pakistan Fund [illegible]

Panergy Limited [illegible]

Paragon Global Funds Ltd [illegible]

Park Place Capital Limited [illegible]

Pavlova International Ltd [illegible]

Pequot Energy Offshore Fund Inc [illegible]

Pequot International Fund Inc [illegible]

Pequot Technology Offshore Fund Inc [illegible]

Perry Partners International Inc [illegible]

Peru Select Group of Funds Limited [illegible]

Philippine Income Fund Inc [illegible]

Phoenix Asset Management Partners [illegible]

Phoenix Four, Inc [illegible]

Power Capital Limited [illegible]

Private Capital Portfolio Management Ltd [illegible]

The Private Client Portfolio [illegible]

Pro Value AG [illegible]

Prospect Asset Management (CI) Ltd [illegible]

Prospector Fund Management Ltd [illegible]

Prosperity Capital Management Ltd [illegible]

Protected Asset Management (IOM) Ltd [illegible]

Prudential Securities Futures Mgmt, Inc [illegible]

Putnam Europe Ltd [illegible]

Putnam Offshore Funds [illegible]

Quantum Group [illegible]

Quiksmama Ltd [illegible]

RHB Asset Management Private Limited [illegible]

Raffles-Asia Investment Company [illegible]

Rainbow Global High Yield Fund [illegible]

Real Estate Strategies Ltd [illegible]

The Red Square Debt Fund Ltd [illegible]

Regent Fund Management Ltd [illegible]

Reliant Management [illegible]

Renaissance Capital Asset Management Ltd [illegible]

Richmond Capital Limited [illegible]

Rod & Greg Capital Management Ltd [illegible]

Rovida Asset Management Ltd [illegible]

Russia Growth Fund Ltd [illegible]

Russia Value Fund LP [illegible]

SAGE Partners Ltd [illegible]

SEI Global Management (Cayman) Inc [illegible]

Sabre Fund Management Ltd [illegible]

Saudi American Bank [illegible]

Schroder Investment Management Limited [illegible]

Schroder Investment Mngt (Hong Kong) Ltd [illegible]

Schroder Investment Mngt (Singapore) Ltd [illegible]

Scudder, Stevens & Clark Inc [illegible]

SEASAM Return Fund Ltd [illegible]

Secure Growth Fund Ltd (Bermuda) [illegible]

Secure Management (IOM) Limited [illegible]

Secured Profits Fund Limited [illegible]

Selective Assets Series Fund Limited [illegible]

Shinsei Investment Mngmt (Bermuda) Ltd [illegible]

Sierra Global Management PLC [illegible]

Sixtra Fund Ltd [illegible]

Sloane Robinson Investment Mngmt Ltd [illegible]

Smith Barney Funds [illegible]

Societe Generale Group [illegible]

Sodific Asset Management Inc [illegible]

Soliser Capital Inc [illegible]

The Southeast Asia Frontier Fund (SEAFF) [illegible]

Carl Spaengler KAG [illegible]

Sphere Ltd [illegible]

Spruce International Investments Ltd [illegible]

State Street Banque SA [illegible]

Stephen Brown Partners [illegible]

Strome Offshore Limited [illegible]

Strome Susskind Investment Management LP [illegible]

Summit Money Management (Bermuda) Ltd [illegible]

Suisse Finance Corporation [illegible]

Swiss Finance Global Funds [illegible]

TIS Group Managers Ltd [illegible]

Taipei Fund [illegible]

Talisman Capital Inc [illegible]

Templeton Global Advisors Ltd [illegible]

Thai Development Capital Fund Ltd [illegible]

The Thai-Euro Fund Ltd [illegible]

The Thai Prime Fund Limited [illegible]

The Thailand Fund [illegible]

The Thailand Growth Fund [illegible]

The Thailand Intl Fund Ltd [illegible]

Thames Currency Funds [illegible]

Thames River Global Fund Limited [illegible]

Third Point Management Company LLC [illegible]

Threadneedle Investment Funds [illegible]

Titan Capital Management [illegible]

The Torrey Funds [illegible]

Tradewinds Financial Corporation [illegible]

Tradex Funds [illegible]

Trans Global Funds Group [illegible]

Trigone Capital Finance SA [illegible]

UBS AG [illegible]

UBS Private Investor Funds [illegible]

USS Floating Rate Fund Ltd [illegible]

UTI (Guernsey) Limited [illegible]

Ultra Asia Phoenix Fund [illegible]

Ultra Cerberus Fund Ltd [illegible]

Ultra Hermes Fund [illegible]

Ultra Interest Plus Fund [illegible]

Ultra Westcliff Fund Ltd [illegible]

Unibanco-Uniao de Bancos Brasileiros S.A [illegible]

Union Investment Mgmt Ltd [illegible]

Value Partners Fund [illegible]

Vantage Investment Management Ltd [illegible]

Vector Asset Management Ltd [illegible]

Venus Value Fund Ltd [illegible]

For Vesper Consult see Luxembourg (Reg)

Victory Capital Limited [illegible]

The Vietnam Frontier Fund [illegible]

The Vietnam Fund Limited [illegible]

Voltaire Fund [illegible]

Wharton Capital Investment Management Ltd [illegible]

Worldwide Limited [illegible]

Xeryus Fund Management Ltd [illegible]

Xiphias International Investment Fd Ltd [illegible]

Zaenti Lombardier Ltd [illegible]

Zweig-DiMenna International Limited [illegible]

● MANAGED FUNDS NOTES

[illegible]

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BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Net asset values supplied by BT Alex Brown International as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

Net asset values supplied by BT Alex Brown International as a guide only. See guide to London Share Service

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

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PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
BT		828½	+43	888	392	18,742	2.9	25.6
Cable & Wireless		520	+4	863	450	6,682	2.4	23.6
7pc Cv Ln '08		[illegible]	+2½	[illegible]	[illegible]	-	2.8	-
Cable & Wire Comms		378	+4½	718½	208½	3,570	-	-
COLT Telecom		818	+15	*838	111¼	1,939	-	-
Energis		722½	+32½	1132½	251½	171	-	-
European Telecom		110		397½	110	14	3.4	8.5
GN Gt Nordic Div		£14½		*£24½	210	-	1.5	29.4
General Cable		247	-10	321	77½	80	-	-
Ionica		22½		391	17½	1,433	-	-
IWE Telecom		141½	+5	269½	114½	17	-	-
KPN Fl		£21½		*£25½	£12½	-	2.9	23.4
Nippon T & T Y		[illegible]		[illegible]	[illegible]	-	0.5	26.6
Orange		563	+3	620	210	787	-	-
Securicor		440xd	-5	573	257½	1,819	0.5	42.4
TeleWest		144	-11	269½	68½	5,765	-	-
Vodafone		729½	-½	958	298	7,859	0.9	55.8

TOBACCO

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
British American Tobacco		483½	+16	*485	329½	7,827	6.3	9.8
Gallaher		418xd	+13	422	273½	3,767	4.9	14.0
Imperial Tobacco		697	+32½	698	363	1,422	4.6	14.3

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

For Zicor Mining see Mano River (Can)

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official List.

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last traded over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1998-99. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. R Dividend is paid in whole or part as a FID (Foreign Income Dividend). S Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xx ex capital distribution.

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Rate cut and bid rumours arrest market's slide

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The three-day slide in UK equities was halted yesterday as bargain hunters moved in to take advantage of what was seen by some as an oversold market. During that period, the FTSE 100 index had fallen more than 300 points, or 5.7 per cent.

A strong rally on Wall Street overnight, after the release of the video testimony of President Clinton, was the main driving force behind London, where Footsie finished the session 113.0 higher at 5,105.3.

The Dow Jones Industrial Average recouped an early 180-point slide to finish Monday 37 points ahead, giving strong encouragement to Asian and European markets. A sluggish start to yesterday's US session was surprisingly shrugged off by traders in the City.

Adding to the momentum of London's performance was a story that a bid for Reed International could be on the boil.

And there was an improvement in sentiment regarding the possibility of a reduction in US interest rates after next Tuesday's meeting in Washington of the US Federal Reserve's open market committee.

The other FTSE indices were nothing like as impressive as the 100 index, with the 250 climbing 19.1 to 4,572.2 but the SmallCap losing an early modest gain to finish 1.7 easier at 2,036.0.

Dealers said there remained extreme nervousness about the potential for more profit warnings from leading UK companies, one of the factors that has undermined confidence in the London market.

There was widespread relief that there were no more damaging statements from FTSE 100 constituents yesterday, after the spate of warnings from RMC, Bass, Shell and EMI.

There were three warnings announced yesterday. One was from Scapa Group, the chemicals company, whose shares plummeted 16 per cent, easily the worst performance in the FTSE 250 index. The others came from Longmead, AIM-listed, whose stock price tumbled 36 per cent, and Clinical Computing, whose shares dropped 17 per cent.

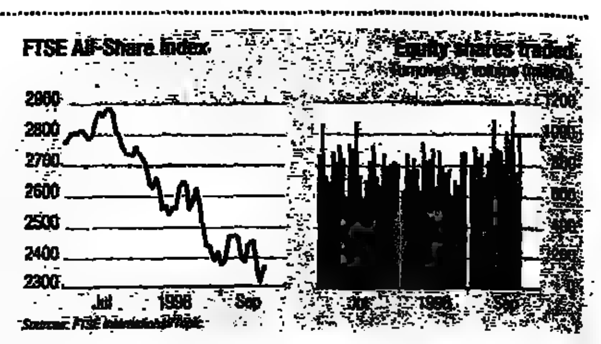
The recent slide has induced some of the equity strategists to come out with supportive notes.

One of the market's long-standing bears, Richard Jeffrey of Charterhouse Tilney, adopted a more positive view yesterday saying that at levels below 5,000 on the FTSE 100 "it's right for investors to take advantage of weakness".

Gareth Evans, equity market strategist at Nikko Europe, said: "Over the short-term we would recommend caution on the UK and European markets, simply because both sentiment and momentum are clearly very poor. However, over the next 12 months we retain our positive outlook. We would focus on the valuation of equities versus bonds and the power of mergers and acquisitions, the incentives for which remain in place." Nikko has an end-year FTSE 100 target of 5,800.

And Corey Miller at Paribas said: "A close analysis of of the valuation structure shows the UK market has never been cheaper."

Turnover in equities was 979.4m shares, with non-FTSE 100 stocks accounting for 58 per cent of the total.



Indices and ratios

FTSE 100	5103.3	+113.0	FT 30	3096.4	+60.2
FTSE 250	4572.2	+19.1	FTSE Non-Fins p/e	20.08	19.64
FTSE 350	2437.9	+46.4	FTSE 100 Fut Sep	5185.0	-107.0
FTSE All-Share	2364.37	+42.58	10 yr Gilt yield	5.08	5.02
FTSE All-Share yield	3.32	3.38	Long gilt/equity yld ratio	0.96	1.00

Best performing sectors		Worst performing sectors	
1 Tobacco	+3.99	1 Distributors	-0.48
2 Insurance	+3.61	2 Household Goods & Texts	-0.52
3 Electronic & Elect Equip	+3.39	3 Building Matls & Merchs	-0.54
4 Food Producers	+3.35	4 Paper Pckg & Printing	-1.33
5 Banks Retail	+3.28	5 Chemicals	-1.71

Reed Int sparks bid talk

COMPANIES REPORT

By Peter John, Joel Kibazo and Martin Brice

A sharp rise in Reed International sparked off a burst of takeover speculation in the stock which ended the day 31½ higher at 534¼p.

The rumour was highly specific. It suggested Morgan Stanley Dean Witter had received £50m ($82.50m) in fees to negotiate an offer by a US technology company keen to get hold of Reed's technical publications. Morgan Stanley was unavailable to comment.

Analysts believed the potential bidder could be Microsoft, KKR or Thomson of Canada. Internet search companies such as Yahoo! and Netscape were also mentioned. Microsoft is seen as the most likely because it has been steadily building content to go with its immense distribution network. But the company also faces antitrust problems.

Panmure Gordon cited previous comments from Reed implying it was seeking a US marketing-based leader and said an international offer would make "eminent sense". The broker pointed out Reed had 1,200 leading scientific titles and desperately needed electronic delivery.

However Louise Barton of Henderson Crosthwaite argued that it was little more than a story chasing a share price.

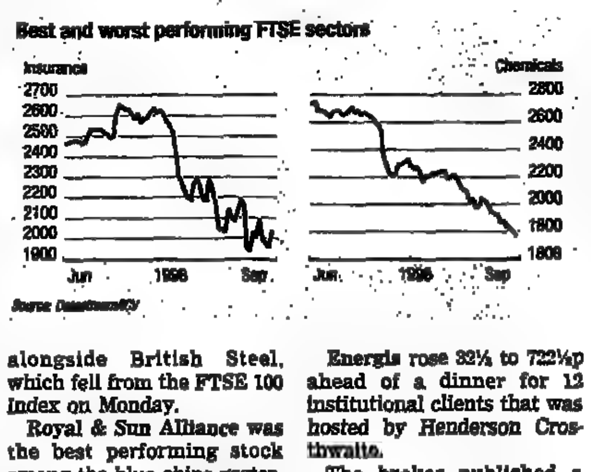
"This company is underrated and doesn't need a bid for the share price to rise. There was no exceptional volume and no trading outside the spread," she said, reiterating her 600p share price target.

ICI shares dropped 28½ to 471½p, a new 52-week low, taking the company's market capitalisation to £3.43bn.

By contrast, Colt Telecom, one of the Footsie's newest entrants on Monday, lifted 15 to 610p to give it a market capitalisation only slightly lower at £3.4bn. Colt has 900 employees, £82m of sales last year and no profits.

It has been some years since the leader in the chemicals sector warranted the description as the bellwether stock of UK industry because of its wide spread of manufacturing interests.

The company hived off its pharmaceuticals arm long ago and has been steadily moving away from heavy industry. Nevertheless ICI is still regarded as a key element in a depleted manufacturing industry, ranking alongside British Steel, which fell from the FTSE 100 index on Monday.



Royal & Sun Alliance was the best performing stock among the blue chips yesterday as an announcement that should lead to increased liquidity coincided with at least one recommendation.

The insurance company is to issue American Depositary Receipts. Each Royal ADR will represent five underlying ordinary shares.

The shares have been heavily sold and Credit Lyonnais Laing recently turned more positive on the sector as it upgraded the sector from "underweight" to "neutral". The stock is also heavily geared to overall market shifts because of the company's big investment portfolio. In a rising market, the shares jumped 37½ or 8 per cent to 506½p.

Dealers attributed the sharp rise in British Telecommunications to a "flight to quality" helping it to lead buying in some of the leading issues in the sector. The shares jumped 43 or 5.5 per cent to 828½p after trade of 18m, while those of Cable & Wireless hardened 4 to 520p.

Energis rose 32½ to 722½p ahead of a dinner for 12 institutional clients that was hosted by Henderson Crosthwaite.

The broker published a weighty research note recommending the stock. Analyst Chris Godsmark said in the note: "At current levels, Energis shares are trading well below our discounted cashflow valuation of 950p. We believe the present weakness in the stock price represents a buying opportunity. We expect the share price to recover as Energis continues to outperform analysts' forecasts and the steady flow of corporate contract wins continues."

Telewest off

Sellers gained the upper hand in new Footsie constituent Telewest Communications. The shares lost 11 to 144p, the worst performer in the index. A planned placing on Monday of 4.7 per cent of the company's issued share capital, on behalf of Vivendi, the French utilities group, was postponed because of weakness in global stock markets.

TLG increased its premium to both the offers recently made for the company, suggesting that investors believe a higher bid is on the way. The shares gained a penny to 183p as TLG again urged its shareholders to take no action. Cooper of the US had made a 160p offer that had been trumped by the 175p bid from Wassall. Wassall shares were static at 243p.

Anglo-Dutch giant Unilever rose 35¼ to 495½p following a positive briefing to analysts on Monday.

Sector specialists said the briefing had helped reassure them in the wake of recent cautious statements from the group's rivals.

Dealers said there had been further indications from the company that it was investigating ways of distributing the proceeds of its speciality chemicals disposal to ICI. Credit Suisse First Boston reiterated its "buy" stance saying, "The long term story of improving the returns on strong international brands is still firmly intact."

BPB tumbles

BPB was one of the worst FTSE 250 performers as analysts cut their forecasts following a round of meetings with the company. The shares fell almost 7 per cent, or 16½, to 231p.

Analysts generally were taking some £10m-£15m off forecasts for this year, bringing them to about £175m. Next year's numbers were being cut by about £20m to about £192m.

Software company ICM Computer was up 12 at 301½p after it exceeded by 20 per cent the forecast in its flotation prospectus and produced final pre-tax results of £3.43m.

Elsewhere among computer groups, CMG was the best performer in the FTSE 250 as it gained 148 to £16.98, recovering much of the 177½p it had lost the day before.

CMG was among those recommended yesterday by Dresdner Kleinwort Benson's quantitative analyst Andrew Lapthorne as he focused on MidCap stocks with strong historic earnings growth.

FT 30 INDEX

	Sep 22	Sep 21	Sep 18	Sep 17	Sep 16	Yr ago	*High	*Low
FT 30	3096.4	3036.2	3102.10	3152.9	3267.0	3254.0	3984.0	3036.2
Ord. div. yield	3.42	3.49	3.43	3.37	3.26	3.48	4.22	2.72
P/E ratio net	19.58	19.22	19.57	19.91	20.55	21.16	28.41	15.80
P/E ratio nil	19.50	19.14	19.49	19.82	20.46	20.87	28.19	15.71

FT 30 since compilation: High 3990.3 11/05/98; low 49.4 26/06/40 Base Date 1/7/35

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3036.2	3094.6	3072.8	3081.4	3087.5	3099.9	3089.6	3095.0	3105.5	3036.2

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STOCK MARKET TRADING DATA

	Sep 22	Sep 21	Sep 18	Sep 17	Sep 16	Yr ago
SEAQ bargains	58,508	75,503	75,400	55,868	62,925	43,331
Equity turnover (£m)†	-	3081.7	3026.8	2905.6	2960.9	2696.9
Equity bargains†	-	44,040	44,490	49,500	48,491	43,309
Shares traded (m)†	-	830.3	871.9	890.7	822.8	795.9
Total market bargains‡	-	81,459	70,799	58,130	83,700	-
Total turnover (£m)‡	-	4203.4	4504.4	4305.6	4233.2	-
Total shs traded (m)‡	*979.4	1110.4	1207.9	1216.0	1098.6	-
Tradepoint turnover (£m)	14.1	13.9	25.4	23.5	28.0	2.6
Tradepoint shs traded(m)	8.2	5.4	8.3	7.5	9.6	0.8

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	848	Total Highs	34	Total contracts	23,422
Total Falls	644	Total Lows	193	Calls	11,646
Same	1,458			Puts	11,776

Sep 22 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	5140.0	5185.0	+143.0	5200.0	5120.0	26346	201354
Mar	5200.0	5228.0	+143.0	5200.0	5200.0	2	1941

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	4610.0	-20.0	-	-	0	7069

FTSE 100 INDEX OPTION (LIFFE) (*5108) £10 per full index point

	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P	5200 C	5200 P	5250 C	5250 P	5300 C	5300 P
Oct	342½	157½	306	173	279	194	244	214½	213½	235½	182½	258½	157½	283½	135	312½
Nov	486½	259¼	436	279½	466	293½	375½	319½	345½	339½	315	359½	285	380½	280½	407½
Dec	553½	308½	524½	328	495	357	464½	377	433½	388	402½	403½	371	412½	340½	437½
Jan	617	369½	599	392½	566	417	540½	441½	518	465	491½	490½	466½	515	442	539
Jun†			848	602½			789½	640½			730	678½			817	717½

Calls 1,096 Puts 697

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P	5275 C	5275 P	5325 C	5325 P
Oct	317½	159½	284	176	252½	194	222½	214	194½	236	171½	262½	145	285½	123	314
Nov	461½	270½	418	287½	387½	305½	357	324½	327½	344½	299½	365½	272½	388	249½	411½
Dec	536	323½	503	345	472½	364½	443	384½	412½	403	383½	422½	357	445½	333	470½
Mar			598½	492½			629	529½			570	567			514	607½
Jun†			665½	581½			773½	624½			722½	667½			674½	714

Calls 5,436 Puts 5,696 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	10,711	859	684	Alld Zurich	684	+34	Q17.7c	3.3	1.6	0.8
-	F.P.	-	58	55½	Enterprise Cap B Pf	55½	-	-	-	-	-
-	F.P.	-	189½	80	GEC Pul Wts	128	-38	-	-	-	-
§130	F.P.	116.8	129½	120½	Kiln	121½		W-	-	-	14.4
-	F.P.	389.5	98	87½	MEPC Non Cum Pf B	88		-	-	-	-
-	F.P.	-	5	4	†Nano River (UK)	5		-	-	-	-
-	F.P.	13.9	114½	109½	†Matrixe	109½	-3	93.6	-	4.1	-
§	F.P.	4.19	18	10	Murray Extra Rtn Cap	12		-	-	-	-
§100	F.P.	29.3	109	99	Do Inc	107	+½	W7.95	-	9.3	-
§	F.P.	23.8	100½	98¾	Do Zero Div Pf	100	+½	-	-	-	-
§32	F.P.	4.02	32½	28¾	†Parallel Pictures	28½		-	-	-	-
§65	F.P.	4.06	66½	62½	†Private & Comm Fin	66½		R0.6	-	1.1	15.8
-	F.P.	-	35½	32½	Walker Greenbank B	34		-	-	-	-
§2	F.P.	2.48	2½	2¼	†Winslow	2½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
520	Nil	28/9	4pm	3½pm	Cammell Laird	3½pm	
10.25	Nil	5/10	3½pm	½pm	Tadpole Tech	½pm	-¼
7	Nil	12/10	0.75pm	0.25pm	Ultima Network	0.25pm	

pm premium.

FTSE GOLD MINES INDEX

	Sep 21	% chg on day	Sep 18	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (27)	983.66	-2.0	983.25	1334.21	1.81	-	1336.45	701.89
Regional Indices								
Africa (9)	1064.96	+2.1	1082.95	1257.60	4.04	42.59	1525.29	765.63
Australasia (7)	1037.04	-1.1	1048.94	1431.29	0.30	7.24	1809.83	615.93
Americas (11)	912.82	-3.9	949.57	1381.02	0.64	33.49	1574.78	847.89

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Sep 22	Day's chge%	Sep 21	Sep 18	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5103.3	+2.3	4990.3	5055.5	5027.5	3.15	2.86	1.97	20.07	117.80	2248.92
FTSE 250	4572.2	+0.4	4553.1	4646.8	4709.9	3.92	3.33	2.07	15.40	105.63	1974.75
FTSE 250 ex Inv Tr	4621.8	+0.3	4607.7	4697.4	4720.7	4.06	3.46	2.14	14.41	110.47	2004.12
FTSE 350	2437.9	+1.9	2391.5	2425.9	2420.1	3.28	2.79	1.99	19.08	58.25	2195.06
FTSE 350 ex Inv Tr	2444.8	+2.0	2397.8	2431.9	2421.3	3.30	2.80	2.01	18.89	58.70	1129.03
FTSE 350 Higher Yield	[illegible]	+2.3	2302.4	[illegible]	2349.2	4.40	3.72	1.92	14.77	70.43	1815.99
FTSE 350 Lower Yield	2519.1	+1.8	2480.1	2515.4	2496.3	2.09	1.80	2.16	27.69	44.63	1840.37
FTSE SmallCap	2036.01	-0.1	2037.69	2060.97	2300.03	4.03	3.28	1.92	18.13	46.18	1783.82
FTSE SmallCap ex Inv Tr	2030.15	-0.3	2035.46	2053.21	2279.38	4.30	3.60	2.01	14.43	48.48	1797.64
FTSE All-Share	2364.37	+1.8	2321.79	2354.83	2364.85	3.32	2.82	1.99	18.90	54.48	2160.39
FTSE All-Share ex Inv Tr	2374.47	+1.8	2331.40	2363.97	2366.60	3.34	2.84	2.01	18.62	56.12	1116.32

FTSE Actuaries Industry Sectors

	Sep 22	Day's chge%	Sep 21	Sep 18	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(22)	3978.71	+2.7	3875.47	3859.88	4928.13	3.72	3.32	1.88	20.04	97.43	1841.01
12 Extractive Industries(6)	2517.89	+2.2	2464.67	2523.18	4105.28	6.53	6.09	2.00	11.31	125.24	810.56
15 Oil, Integrated(4)	4590.45	+2.9	4462.54	4427.79	5272.16	3.66	3.16	1.65	21.31	98.59	2181.00
16 Oil Exploration & Prod(12)	1987.92	+0.6	1976.51	1976.72	3745.08	2.72	2.38	0.99	46.52	45.60	1243.38
20 GEN INDUSTRIALS(214)	1560.49	+0.7	1550.08	1572.71	2107.40	4.68	4.13	2.20	12.13	50.66	927.00
21 Construction(38)	1179.72	-0.3	1183.33	1139.59	1380.79	4.29	3.47	2.85	10.23	30.86	1061.70
22 Building Matls & Merchs(28)	1313.44	-0.5	1320.64	1335.25	1845.32	5.64	4.90	2.11	10.50	45.11	722.02
23 Chemicals(22)	1769.25	-1.7	1800.11	1818.95	2691.63	5.60	6.12	1.70	13.33	66.57	915.63
24 Diversified Industrials(7)	1008.91	+2.9	980.21	975.47	1501.22	5.73	5.33	2.03	10.73	56.21	638.53
25 Electronic & Elect Equip(28)	2275.51	+3.4	2200.85	2211.28	2203.59	3.35	2.72	1.82	20.50	54.98	1271.54
26 Engineering(82)	1976.59	+0.8	1960.04	2004.28	2880.53	4.84	4.30	2.23	11.58	66.82	1289.89
27 Engineering, Vehicles(11)	3032.16	+1.4	2989.19	2994.72	3384.07	2.94	2.69	3.24	13.13	62.10	1680.54
28 Paper, Pckg & Printing(22)	1420.31	-1.3	1439.37	1505.08	2293.81	6.26	5.69	2.43	8.21	63.65	650.76
30 CONSUMER GOODS(91)	5223.03	+1.3	5157.98	5225.91	4645.34	2.72	2.40	1.79	25.68	101.91	2077.05
32 Alcoholic Beverages(6)	2913.89	+3.2	2822.56	2962.17	3315.19	4.65	3.93	1.60	16.84	69.61	1142.35
33 Food Producers(25)	3272.47	+3.4	3166.11	3189.44	3046.79	3.05	2.61	2.14	19.17	71.02	1595.58
34 Household Goods & Texts(24)	2358.06	-0.5	2370.42	2408.94	3153.00	4.43	3.93	1.93	14.63	59.41	998.24
36 Health Care(13)	2159.49	+1.7	2123.60	2123.44	2194.82	2.39	2.21	2.27	23.01	32.36	1385.32
37 Pharmaceuticals(19)	9324.23	----	9320.95	9428.83	7617.47	1.89	1.76	1.59	41.88	155.31	3356.55
38 Tobacco(3)	6216.41	+4.0	5977.43	5904.81	4339.61	5.61	4.49	1.96	11.37	152.07	1746.41
40 SERVICES(278)	3118.73	+2.0	3056.51	3104.29	2819.05	2.75	2.26	2.07	21.96	55.37	1725.64
41 Distributors(28)	1837.22	-0.5	1846.26	1898.43	2616.22	5.40	4.46	1.99	11.64	63.75	730.21
42 Leisure & Hotels(27)	2636.07	-0.4	2646.95	2657.45	3229.53	3.58	3.00	2.62	13.32	76.53	1503.99
43 Media(40)	3977.82	+1.9	3902.78	3930.19	4262.73	2.63	2.21	2.15	22.18	81.60	1518.07
44 Retailers, Food(13)	2907.78	+2.5	2838.44	2858.55	2588.42	3.14	2.51	2.13	18.73	55.26	1993.22
45 Retailers, General(48)	1975.91	+1.8	1940.51	2001.30	2281.46	3.82	3.07	2.19	14.93	48.25	1214.63
46 Telecommunications(5)	4388.95	+2.7	4272.17	4373.52	2384.40	1.97	1.63	1.49	42.59	47.70	2152.73
47 Breweries, Pubs & Rest.(24)	3129.60	+2.0	3069.11	3060.50	3374.56	3.94	3.16	2.36	13.45	66.01	1607.32
48 Support Services(65)	4127.77	+1.5	4068.05	4071.09	3296.22	1.51	1.28	2.74	30.22	38.83	2727.20
49 Transport(24)	3297.55	+1.7	3240.92	3314.58	2956.07	3.21	2.67	1.88	20.71	71.53	1482.95
60 UTILITIES(21)	4217.74	+0.6	4192.49	4191.24	3128.22	3.83	3.14	1.76	18.51	92.24	2034.06
62 Electricity(8)	4674.97	[illegible]	[illegible]	[illegible]	[illegible]	4.30	3.44	1.90	15.30	113.88	2764.95
64 Gas Distribution(2)	3242.69	+0.6	3223.33	3209.69	2360.18	2.06	1.67	‡	‡	26.03	1874.18
68 Water(11)	3717.38	+1.1	3675.35	3727.72	2962.52	4.63	3.99	2.33	11.58	112.14	2326.54
69 NON-FINANCIALS(627)	2448.97	+1.6	2410.76	2437.60	2387.98	3.20	2.74	1.95	20.08	51.90	2008.44
70 FINANCIALS(108)	4331.57	+2.7	4218.76	4315.48	4618.16	3.79	3.14	2.17	15.20	129.46	2023.63
71 Banks, Retail(12)	6008.27	+3.3	5818.69	6010.33	7102.75	4.25	3.40	2.12	13.92	196.98	2127.84
73 Insurance(16)	2028.54	+3.6	1957.85	1973.84	1897.38	3.46	3.28	2.23	16.20	74.19	1697.92
74 Life Assurance(7)	7049.53	+1.8	6922.79	7017.96	5110.86	2.70	2.34	2.59	17.84	139.98	3163.79
77 Other Financial(25)	3329.91	-0.3	3338.71	3387.07	3306.77	3.23	2.66	2.54	15.26	92.12	2048.48
79 Property(46)	1842.71	+0.6	1832.21	1828.90	2037.69	3.61	3.04	1.62	21.43	39.28	1218.74
80 INVESTMENT TRUSTS(115)	3124.36	+1.3	3083.46	3156.67	3526.60	2.61	2.11	1.17	41.03	52.23	1144.35
89 FTSE All-Share(848)	2364.37	+1.8	2321.79	2354.83	2364.85	3.32	2.82	1.99	18.90	54.49	2160.38
105 FTSE All-Share ex Inv Tr(733)	2374.47	+1.8	2331.40	2363.97	2366.60	3.34	2.84	2.01	18.62	55.12	1116.32
Information Technology	1401.98	+1.3	1384.54	1428.67	-	0.67	0.54	4.06	45.70	5.20	1406.93
FTSE Fledgling	1142.47	-0.2	1144.68	1155.62	1274.44	3.86	3.13	1.40	23.08	28.73	1276.52
FTSE Fledgling ex Inv Tr	1170.07	-0.3	1173.66	1182.10	1277.78	4.16	3.37	1.49	20.17	30.13	1313.95
FTSE AIM	861.8	+0.2	859.7	872.7	1017.2	1.31	1.04	0.22	80.00†	7.73	798.09

Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4990.3	5075.1	5065.0	5085.9	5098.0	5122.3	5108.6	5096.4	5124.1	5013.2
FTSE 250	4580.1	4573.1	4575.8	4580.4	4583.8	4578.0	4579.7	4570.7	4584.3	4561.2
FTSE 350	2392.1	2426.8	2423.1	2431.8	2436.1	2445.9	2439.9	2435.0	2446.7	2401.3
FTSE SmallCap	2042.05	2040.52	2039.57	2038.44	2037.99	2037.36	2037.30	2035.99	2042.42	2035.95
FTSE All-Share	2322.65	2354.47	2350.96	2358.96	2362.81	2371.83	2368.26	2361.73	2372.50	2331.06

Time of FTSE 100 Day's high: 14:17:15 Day's low: 9:03:00. FTSE 100 1998 High: 6179.0 (20/07/98) Low: 4990.3 (21/09/98)
Time of FTSE All-Share Day's high: 14:16:00 Day's low: 9:03:00. FTSE All-Share 1998 High: 2885.20 (20/07/98) Low: 2321.80 (21/09/98)

Further information is available on http://www.ftse.com

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† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Deletions: Wessex Water (68) & (FTSE 250); Thorn (45) & (FTSE 250); Polyhedron (FTSE Fledgling); Go Ahead (FTSE SmallCap); Stanley Leisure (FTSE SmallCap). Insert: Go Ahead (FTSE 250); Stanley Leisure (FTSE 250).

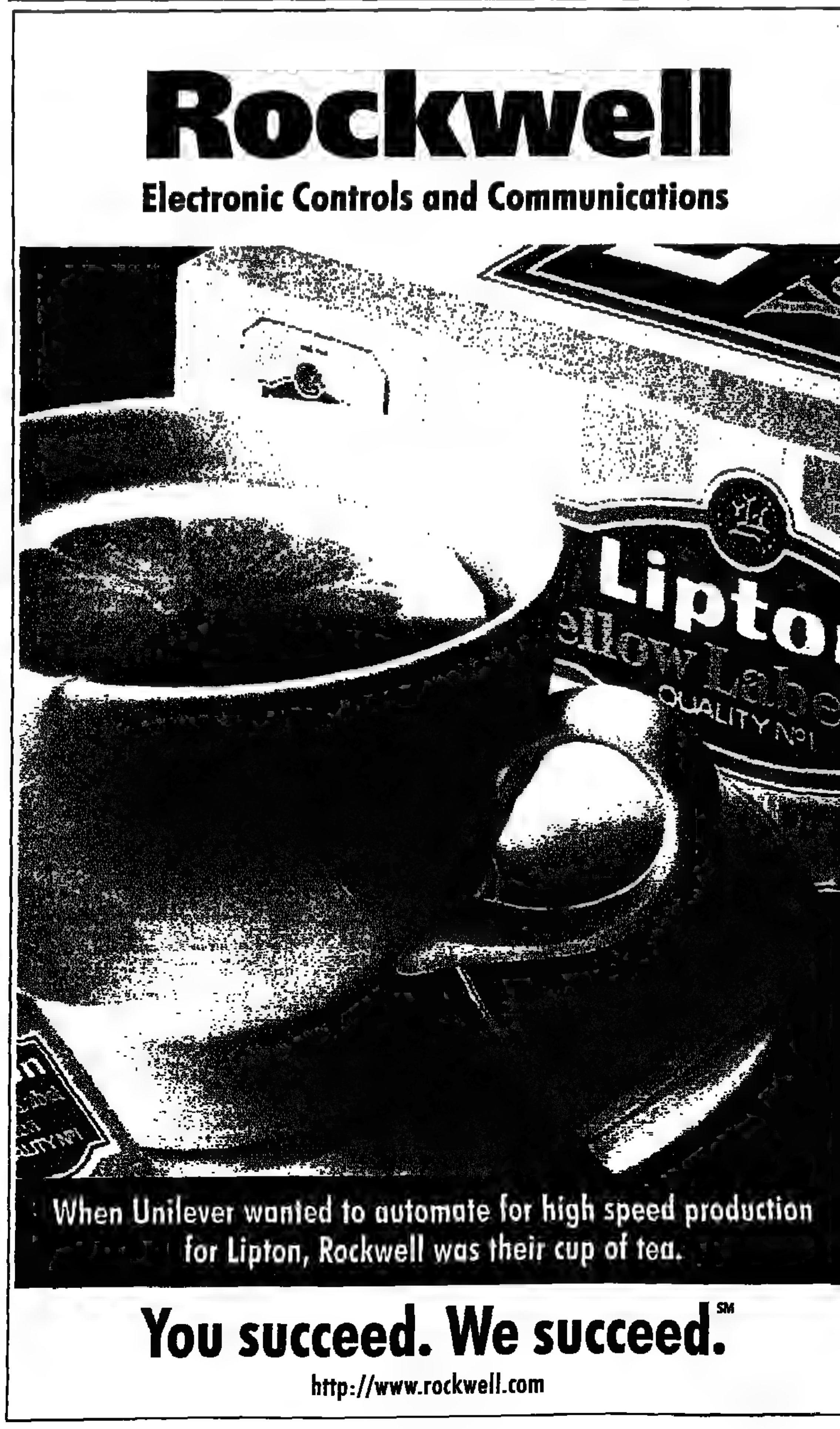
FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	1,400	495	+7
AMVESCAP	1,500	388	-7
ASDA Group	6,200	171½	+4½
Abbey National	1,100	1111	
Alliance & Leicester	414	845	+8
Allied Domecq	1,700	406	+15
Allied Zurich	13,000	684	+34
Anglian Water†	2,800	812	+8
Assoc. Brit. Foods	466	582	+13
BAA	2,700	581	+8
BOC	1,600	776	+16
BG	9,700	378	-1
BP	10,600	880	+28½
BSkyB	4,300	615	+16
BT	18,700	828½	+43
BTR	17,100	108½	-1
Bank of Scotland	4,200	800	+31
Barclays	4,300	1090	+27
Bass	2,000	669	+11
Billiton	11,000	118	+3
Boots	1,200	930	+18
Britannic Assurance†	60	1130	+60
Brit. Aerospace	7,400	751	-4
British Airways	5,900	383	+7
Brit. Amer. Tobacco	7,600	493½	+16
British Energy	2,300	597	+5
British Land	1,700	849	-7
CGU	3,800	877	+7
CMG†	223	1698	+148
COLT Telecom	1,900	610	+15
Cable & Wireless	5,600	520	+4
Cadbury Schweppes	2,800	835	+4
Carlton Comms	[illegible]	395	+4
Centrica	7,700	108½	+1½
Compass	1,500	672	+22
Diageo	5,400	628½	+10½
EMI	2,800	345	+10
Dixons†	1,800	599	+1
[illegible]	1,100	184½	+8½
General Electric	6,200	433	+22
Gallaher†	3,800	418	+12
Glaxo Wellcome	8,000	1785	+12
Granada	1,800	728	+6
GUS	4,800	677	+18
GRE	3,200	259	+8
GKN	853	806	+13
HSBC (75p shs)	1,600	1073	+38
HSBC (HK$10)	2,000	1040	+48
Halifax	2,300	719½	+8½
Hays	494	870	+25
ICI	4,300	471½	-28½
Imperial Tobacco†	1,400	597	+32½
Kingfisher	5,500	496	+8
Ladbroke	3,200	204½	-10½
Land Securities	1,300	893	+13
Legal & General	4,400	698	+11
Lloyds TSB	9,000	700	+39
LucasVarity	10,000	195	+4½
Marks & Spencer	3,600	440	+15
Mbyn	1,400	506	+8
Northern Rock	4,100	861	+19
National Grid	3,300	445½	+6½
National Power	2,800	580	-8
Norwich Union	3,400	451	+10
Nycomed Amersham	661	379	+14
Orange	787	587	+9
Pearson	1,200	1029	+18
P & O	1,600	820	
PowerGen	3,300	870	+5½
Prudential	2,900	836	+13
Railtrack	2,400	1600	+56
[illegible]	300	869	-8
Reed Intl.	4,700	534¼	+31½
Reckitt & Colm.	3,900	315	+8
Reuters	3,200	532½	+16½
Rio Tinto	2,300	665	+13½
Rolls Royce	6,200	194	+4
Royal & Sun Alliance	3,200	506½	+37½
Royal Bank Scotland	1,800	734	+40
Safeway	4,500	311½	-½
Sainsbury	[illegible]	556	+11½
Schroders	256	1008	+8
Schroders N/V	80	850	-15
Scottish & Newcastle	5,500	708½	+10½
Scottish Power	2,400	603½	+2½
Securicor	1,900	440	-6
Sema	593	575	-2
Severn Trent	2,300	1102	+27
Shell Transport	24,100	347	+9
Siebe	8,600	189	+9
SmithKline Beecham	10,200	680	-12
Smiths Inds.	2,200	710	-24
Southern Electric	1,100	635	+1
Stagecoach	2,000	1170	+71
Standard Chartered	3,200	379	+4
[illegible]	458	544	+24½
TeleWest Comms.	5,800	144	-11
Tesco	8,800	169	+8
Thames Water	143	1123	+5
Tomkins	2,700	245	+9
Unilever	7,800	495½	+35½
Utd. News & Media	520	579	+4
United Utilities	1,600	940	+22
Vodafone	7,800	723½	-½
WPP	3,400	288	+14
Whitbread	875	746	+27
Williams	1,800	323	+8
Woolwich	4,500	352½	+12½
Zeneca	7,700	2277	+29

Based on trading volumes of the FTSE [illegible] companies and reserves yesterday until 4.30pm. † Indicates a FTSE 100 index reserve. All trades are rounded. Source: Tedal, part of FT Information.



هكذا من الأصل

هكذا من الاجل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 22 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Sep 22 / Frs.)

[illegible]

CZECH REP (Sep 22 / Koruna)

[illegible]

DENMARK (Sep 22 / Kr)

[illegible]

FINLAND (Sep 22 / Mkk)

[illegible]

FRANCE (Sep 22 / Frs.)

[illegible]

GERMANY (Sep 22 / Dm.)

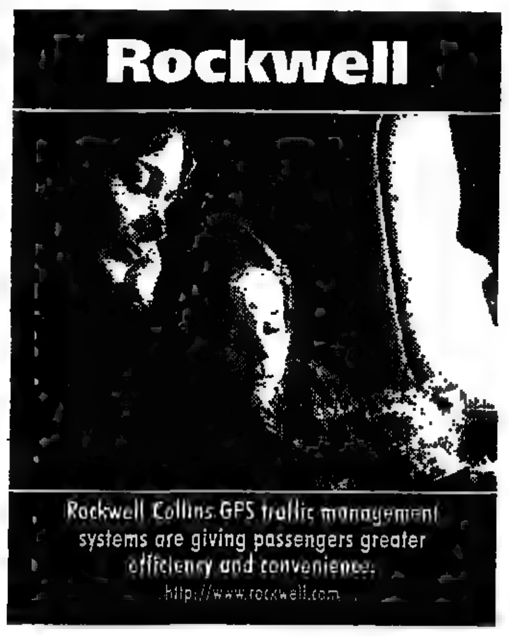
[illegible]

GREECE (Sep 22 / Drachma)

[illegible]

ITALY (Sep 22 / Lire)

[illegible]



POLAND (Sep 22 / Zloty)

[illegible]

PORTUGAL (Sep 22 / Escudo)

[illegible]

SPAIN (Sep 22 / Pta.)

[illegible]

NETHERLANDS (Sep 22 / Fls.)

[illegible]

NORWAY (Sep 22 / Kroner)

[illegible]

SWEDEN (Sep 22 / Kronor)

[illegible]

SWITZERLAND (Sep 22 / Frs.)

[illegible]

TURKEY (Sep 22 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Sep 22 / Yen)

[illegible]

HONG KONG (Sep 22 / H.K.$)

[illegible]

INDONESIA (Sep 22 / Rupiah)

[illegible]

MALAYSIA (Sep 22 / MYR)

[illegible]

NEW ZEALAND (Sep 22 / NZ $)

[illegible]

SINGAPORE (Sep 22 / S$)

[illegible]

AUSTRALIA (Sep 22 / Aust$)

[illegible]

SOUTH KOREA (Sep 22 / Won)

[illegible]

TAIWAN (Sep 22 / TW $)

[illegible]

THAILAND (Sep 22 / Baht)

[illegible]

AMERICAS

CANADA

TORONTO (Sep 22 / Can $)

4 pm close

[illegible]

MONTREAL (Sep 22 / Can $)

4 pm close

[illegible]

MEXICO (Sep 22 / Peso)

12:30pm

[illegible]

AFRICA

SOUTH AFRICA (Sep 22 / Rand)

[illegible]

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY SEPTEMBER 21 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY SEPTEMBER 18 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	171.19	-1.3	150.74	144.39	149.75	194.23	-0.7	3.86	173.46	152.63	145.64	152.54	195.56	238.24	163.86	232.16
Austria (22)	176.88	-2.4	155.74	149.18	154.73	154.64	-2.9	2.19	181.29	159.52	152.21	159.42	159.33	253.73	176.88	201.85
Belgium (22)	346.54	-1.8	305.13	292.28	303.14	296.57	-2.4	2.31	352.90	310.52	296.30	310.34	303.73	398.52	234.33	245.32
Brazil (26)	133.69	-2.7	117.71	112.76	116.96	290.72	-2.8	4.05	137.35	120.85	115.32	120.78	298.52	308.59	102.88	278.63
Canada (119)	178.05	0.4	156.76	150.17	155.76	196.55	0.1	2.04	177.38	156.08	148.93	155.99	196.33	248.78	167.18	223.52
Denmark (34)	420.12	-5.8	369.92	354.34	367.50	368.74	-6.2	1.77	445.83	392.29	374.32	392.06	391.08	537.33	300.88	392.36
Finland (28)	373.14	-5.4	328.55	314.71	326.41	401.22	-5.9	2.29	394.49	347.12	331.22	346.91	426.55	506.46	267.59	311.02
France (78)	274.85	-2.7	242.01	231.82	240.43	243.25	-3.2	2.58	282.54	248.61	237.22	248.46	251.38	345.18	217.58	238.38
Germany (55)	246.02	-3.0	216.62	207.50	215.21	215.21	-3.5	1.48	253.52	223.07	212.85	222.94	222.94	325.61	204.89	225.17
Greece (37)	250.64	-4.2	220.69	211.40	219.25	522.46	-4.2	1.80	261.59	230.18	219.63	230.04	545.18	333.20	243.18	-
Hong Kong, China (66)	217.15	-3.8	191.20	183.15	189.95	216.00	-3.8	6.96	225.75	198.64	189.54	198.52	224.53	518.79	158.04	508.82
Indonesia (28)	19.04	-9.1	16.77	16.06	16.66	129.68	-9.1	5.04	20.96	18.44	17.59	18.43	142.69	158.30	18.04	148.88
Ireland (16)	418.88	-0.9	368.85	353.12	366.24	396.91	-1.4	2.39	422.69	371.93	354.89	371.71	402.68	560.44	359.60	369.03
Italy (54)	134.89	-4.6	118.77	113.77	118.00	157.46	-5.1	1.75	141.36	124.38	118.68	124.31	170.47	184.49	103.30	108.79
Japan (480)	81.08	-2.9	71.39	68.38	70.92	68.38	-2.5	1.15	83.49	73.46	70.10	73.42	70.10	123.57	78.40	118.45
Malaysia (106)	107.94	-3.8	95.05	91.04	94.42	157.98	-3.8	3.91	112.16	98.69	94.17	98.63	164.14	319.52	73.52	312.87
Mexico (29)	988.42	-0.7	870.31	833.66	864.63	11141.91	0.7	2.45	995.29	875.77	835.65	875.25	11084.27	1901.98	787.15	1798.69
Netherlands (27)	411.37	-4.9	362.21	346.96	359.85	356.23	-5.4	2.61	432.63	380.67	363.23	380.44	376.69	552.38	390.20	407.53
New Zealand (14)	47.50	-1.9	41.82	40.06	41.55	50.21	-1.3	6.12	48.40	42.59	40.64	42.57	50.88	95.87	47.50	91.88
Norway (37)	200.58	-4.6	176.61	169.17	175.46	203.83	-4.7	3.09	210.20	184.96	176.48	184.86	213.95	374.84	200.58	342.93
Philippines (22)	46.47	-1.4	40.92	39.20	40.65	102.72	-0.3	1.59	47.11	41.46	39.56	41.43	105.08	106.98	42.48	100.43
Portugal (18)	229.43	-5.7	202.01	193.51	200.69	270.61	-6.2	1.20	243.31	214.08	204.28	213.96	288.70	299.39	229.43	-
Singapore (41)	114.35	-4.1	100.68	96.44	100.03	91.35	-3.5	3.30	119.20	104.88	100.08	104.82	94.62	305.55	102.45	305.55
South Africa (39)	167.29	-1.2	147.30	141.10	146.34	223.94	-1.5	4.01	169.31	148.98	142.15	148.89	227.31	346.20	151.55	328.37
Spain (31)	290.81	-4.7	256.06	245.27	254.39	314.71	-5.2	2.42	304.99	268.36	256.07	268.20	332.11	417.73	236.28	264.66
Sweden (49)	430.92	-2.5	379.42	363.45	376.95	506.27	-1.4	2.33	442.20	389.10	371.27	388.87	513.34	628.19	430.92	510.00
Switzerland (28)	347.87	-4.3	306.30	293.40	304.30	298.42	-4.9	1.40	363.70	320.02	305.36	319.83	313.73	439.48	301.11	311.32
Thailand (36)	9.43	-2.6	8.30	7.95	8.25	14.89	-2.5	6.33	9.68	8.51	8.12	8.51	15.27	45.52	8.15	38.81
United Kingdom (210)	327.26	-1.4	288.16	276.02	286.28	288.16	-1.3	3.40	331.90	292.05	278.67	291.87	292.05	401.84	314.38	317.55
USA (622)	418.10	0.3	368.14	352.64	365.74	418.10	0.3	1.57	416.76	366.71	349.91	366.50	416.76	485.88	358.31	386.84
Americas (786)	372.62	0.3	328.10	314.28	325.95	315.97	0.3	1.60	371.51	326.90	311.92	326.70	315.03	437.03	328.79	353.47
Europe (746)	300.59	-2.9	264.67	253.52	262.94	271.70	-3.2	2.48	309.65	272.46	259.98	272.30	280.64	396.24	267.44	280.03
Eurobloc (351)	85.88	-3.6	75.62	72.44	75.13	81.28	-4.1	2.12	89.07	78.37	74.78	78.32	84.75	113.28	85.88	-
Nordic (146)	393.22	-3.9	346.24	331.66	343.98	393.58	-3.4	2.27	408.97	359.86	343.37	359.64	407.45	558.97	388.51	434.34
Pacific Basin (863)	85.99	-2.8	75.72	72.53	75.22	73.76	-2.4	1.84	88.51	77.88	74.31	77.83	73.59	138.87	83.29	134.73
Euro-Pacific (1609)	175.34	-2.9	154.39	147.89	153.38	146.08	-3.0	2.32	180.58	158.90	151.62	158.80	152.61	220.19	172.03	166.37
North America (741)	402.02	0.3	353.98	339.07	351.67	402.82	0.3	1.56	400.72	352.60	336.45	352.38	401.55	489.20	349.06	376.71
Europe Ex. UK (536)	277.62	-3.7	244.44	234.15	242.85	255.70	-4.1	2.02	288.24	253.62	242.00	253.47	266.64	366.32	236.86	253.24
Europe Ex. Eurobloc (395)	83.13	-2.3	73.20	70.11	72.72	81.37	-2.2	2.86	85.05	74.84	71.41	74.79	83.24	103.93	83.13	-
Europe Ex. UK Ex. Eurobloc (185)	82.62	-4.0	72.74	69.68	72.27	79.14	-4.1	1.71	86.09	75.76	72.29	75.71	82.55	109.21	82.62	-
Pacific Ex. Japan (383)	137.10	-2.6	120.72	115.64	119.93	146.03	-2.3	5.04	140.83	123.92	118.24	123.85	149.47	277.07	128.26	275.12
World Ex. Eurobloc (2093)	86.85	-0.7	76.47	73.25	75.97	87.00	-0.6	1.90	87.42	76.92	73.40	76.88	87.51	103.16	83.83	-
World Ex. US (1822)	175.51	-2.7	154.54	148.03	153.53	152.58	-2.8	2.35	180.44	158.77	151.50	158.68	156.88	221.91	175.30	199.94
World Ex. UK (2234)	246.76	-1.1	217.27	208.12	215.86	223.55	-1.1	1.76	249.50	219.54	209.48	219.41	226.14	298.02	234.24	254.32
World Ex. Japan (1964)	339.37	-0.9	298.81	286.23	296.86	320.71	-1.0	2.01	342.57	301.43	287.63	301.26	333.11	411.25	309.33	331.27
The World Index (2444)	253.64	-1.1	223.33	213.92	221.87	229.49	-1.2	1.83	256.53	225.73	215.39	225.59	232.19	306.56	241.30	259.76

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Emerging markets: IFC Investable indices

Sept 21 Market	Dollar terms	Day's % Chg	% Chg since 31/12/97
Latin America			
Argentina	662.03	-1.2	-40.7
Brazil	271.66	-2.8	-43.7
Chile	385.98	+0.7	-43.0
Colombia[1]	317.86	+1.1	-51.5
Mexico	423.47	-0.9	-46.3
Peru[2]	127.26	-2.4	-42.5
Venezuela[3]	263.02	-0.1	-69.1
East Asia			
China[4]	26.89	-2.4	-51.4
India[7]	65.21	-0.2	-21.8
Indonesia[6]	9.17	-8.2	-72.8
Korea[5]	22.39	-2.4	-6.8
Malaysia	60.99	-3.7	-33.1
Pakistan[8]	105.02	+1.5	-57.7
Philippines	67.82	-1.0	-39.8
Sri Lanka[10]	61.51	+0.1	-47.1
Taiwan, China[9]	109.52	+1.4	-22.4
Thailand	34.88	+0.3	-25.6
Europe			
Czech Rep	41.02	-2.6	-25.0
Greece	452.41	-4.3	+38.5
Hungary[11]	181.60	-5.5	-42.3
Poland[12]	476.56	-1.3	-20.1
Portugal	254.67	-6.0	+20.7
Russia	14.87	-3.2	-90.0
Slovakia	57.31	-0.1	-42.2
Turkey[13]	133.42	-5.9	-57.3
Mideast/Africa			
Egypt	69.67	-0.3	-25.3
Israel	109.64	+0.1	-9.9
Jordan	224.82	-0.6	+6.9
Morocco	184.81	-0.1	+41.7
S Africa[14]	107.08	-2.0	-40.4
Zimbabwe[15]	118.18	+6.2	-53.1
Regions			
Composite	153.73	-1.8	-37.5
Latin America	370.70	-1.1	-45.3
Asia	74.58	-1.1	-30.8
EMEA	98.39	-3.1	-33.4
Europe	119.92	-3.0	-36.4
Eastn Europe	48.10	-3.4	-69.3
ME & Africa	49.91	-1.3	-30.2

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1993; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ♣ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close September 22

NEW YORK STOCK EXCHANGE PRICES

- E -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
3⅛	1⅝	ECC Intl				350	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	EG&G	0.56	2.5	10	1511	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	EastGrps	0.18	0.6	29	933	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	East Utils	1.66	6.4	13	390	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	E Enterpr x	1.64	3.9	16	420	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	EastCh x	1.76	3.5	13	941	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Eastmk x	1.76	2.1	21	10653	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Eaton	1.76	2.8	10	4463	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Ecolab x	0.38	1.3	26	1348	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Edison	1.04	3.9	14	19719	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	EdwdAG x	0.56	1.8	10	2568	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Elco Group			15	210	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Elan ADR				4223	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Elcor Corp	0.24	1.2	14	273	[illegible]	[illegible]	[illegible]	[illegible]

- X - Y - Z -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
116½	65⅛	Xerox x	1.44	1.8	68	30535	81⅞	78	79	[illegible]
[illegible]	[illegible]	Xtra Corp			14	190	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Yankee Egy x	1.36	5.8	19	113	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	York Intl x	0.48	1.4	26	2776	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zapata	0.28	2.6	3	637	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zenith Nat	1.00	3.8	16	120	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zenith Inc v	0.70	15.9		80	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	ZweigFd	1.24	11.8		715	10⅝	10½	10½	[illegible]
[illegible]	[illegible]	Zweig Tot x	0.84	9.9		516	8⅝	8½	8½	[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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Sector		SETT 22-09-1998	Close	Previous 21-09-1998	Change on day	% Change	1998 HIGH	1998 LOW
Financials	USD	1684.82	1691.90	1631.49	+60.41	+3.70	2451.60	1364.48
IN-FIN	DEM	1993.83	1998.05	1913.41	+85.64	+4.47	3080.15	1641.18
Non-durable goods	USD	1582.49	1590.14	1532.85	+57.29	+3.73	1780.72	1163.48
IN-GOODS	DEM	1871.99	1878.81	1797.73	+81.08	+4.51	2195.63	1359.43
Oils	USD	1259.89	1265.20	1220.18	+45.02	+3.69	1633.96	1132.90
IN-OIL	DEM	1490.36	1494.88	1431.02	+63.86	+4.46	2027.16	1389.72
Pharma-chemicals	USD	1351.22	1357.71	1319.91	+37.80	+2.86	1580.69	1227.09
IN-PHARMA	DEM	1598.49	1604.18	1547.59	+56.20	+3.63	2115.51	1475.84
Telecoms	USD	1886.15	1891.58	1818.18	+73.32	+4.03	2437.22	1794.88
IN-TELCO	DEM	2224.89	2234.88	2132.35	+102.53	+4.80	3072.25	2202.86

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 21	Sep 18	Sep 17	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	7933.25	7895.66	7873.77	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	104.94	106.05	105.71	106.05 (18/9)	104.42 (11/5)	106.05 (18/9/98)	54.99 (1/10/81)
Transport	2802.84	2814.67	2813.99	3686.02 (16/4)	2616.75 (4/9)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	294.11	293.96	292.49	295.48 (8/7)	262.66 (9/1)	295.48 (8/7/98)	16.53 (8/7/32)

DJ Ind. Day's high 8008.43 (8012.03) Low 7850.54 (7769.67) (Theoretical¢)
Day's high 7945.25 (7939.67) Low 7711.05 (7827.94) (Actual¢)

Standard and Poors	Sep 21	Sep 18	Sep 17	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1023.89	1020.09	1018.87	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials¥	1218.75	1213.04	1209.22	1380.48 (17/7)	1077.40 (9/1)	1380.48 (17/7/98)	3.52 (30/6/32)
Financial¥	110.72	110.76	111.76	147.69 (14/7)	102.26 (10/9)	147.69 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	507.43	507.54	506.31	600.75 (17/7)	480.80 (31/8)	600.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	628.33	627.16	621.25	753.67 (22/4)	565.07 (31/8)	753.67 (22/4/98)	524.20 (16/7/98)
NASDAQ Cmp	1690.43	1663.77	1646.25	2014.25 (20/7)	1499.22 (31/8)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	362.64	363.26	355.29	491.41 (21/4)	337.95 (31/8)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Sep 18	Sep 11	Sep 4	Year ago
Dow Jones Ind. Div. Yield	1.68	1.91	1.95	1.67
	Sep 16	Sep 9	Sep 2	Year ago
S & P Ind. Div. yield	1.40	1.43	1.47	1.60
S & P Ind. P/E ratio	30.41	29.54	28.84	25.37

US DATA

MARKET ACTIVITY

● Volume (million)	Sep 21	Sep 18	Sep 17
NYSE	609.880	795.698	697.507
Amex	21.969	24.997	28.383
NASDAQ	551.247	650.783	686.587

NYSE	Sep 21	Sep 18	Sep 17
Issues Traded	3,477	3,485	3,518
Rises	1,275	1,898	811
Falls	1,744	1,116	2,247
Unchanged	458	471	460
New Highs	34	27	21
New Lows	264	157	264

NYSE TRADING ACTIVITY — Volume : [illegible]

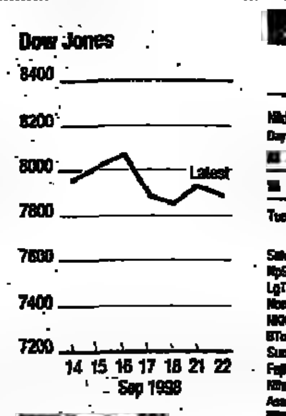
ACTIVE STOCKS Monday	Stocks traded	Close price	Day's change
Philip Mor	10,015,400	47⅛	+⅝
Travlr	9,174,700	39⅛	−⅞
BankAm	6,218,800	57⅛	−2¼
Citicp	5,609,800	97	+⅛
Compaq	5,604,200	31⅛	+⅛
GenElec	5,526,500	79⅛	+1⅛
PhilipsB	5,393,600	46	−⅛
LucentTch	5,251,200	74	+1⅛
Teradyne	5,004,000	19	−1⅛
NatsBk	4,653,000	51⅛	−1⅛

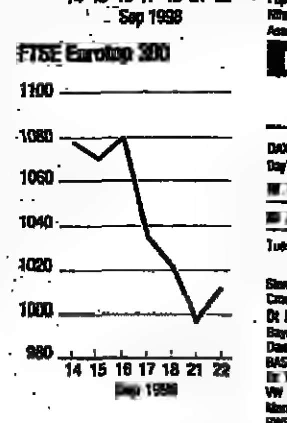
BIGGEST MOVERS Monday	Close price	Day's change	Day's chge %
Ups			
StrTch	25⅛	+3⅛	+13.6
Cytec	17⅛	+2⅛	+13.0
Wolverine	13⅛	+1⅛	+12.9
LSI Lg	13⅛	+1⅛	+9.4
Downs			
AnnStat	25⅛	−9⅛	−26.5
Topper	14⅛	−3⅛	−21.0
SallyTF	16⅛	−2⅛	−12.7
LindsayMf	15⅛	−2⅛	−12.5

NASDAQ TRADING ACTIVITY — Volume :551,247,808

ACTIVE STOCKS Monday	Stocks traded	Close price	Day's change
DellCmp	20,549,400	58⅛	+2⅛
CiscoSys	13,026,300	62⅛	+1⅛
WrldCm	11,309,200	47⅛	+1
Micsft	11,071,100	107⅛	+2½
3Com	10,050,800	32⅛	+1⅛
Intel	9,851,100	84⅛	+1⅛
Oracle	8,884,500	27⅛	+⅛
Yahoo	7,724,600	95⅛	+5⅛
Ciena Cp	6,205,300	11	−⅛
AppMat	6,049,100	28⅛	+⅛

BIGGEST MOVERS Monday	Close price	Day's change	Day's chge %
Ups			
MarqMedA	42⅛	+10⅛	+35.3
MirmPh	16½	+2⅛	+15.3
Oxfrd Hlth	11⅛	+1⅛	+13.9
ApogeeEnt	11	+1¼	+12.8
Downs			
AMCOL Ind	10⅛	−2⅛	−17.9
MTG ADR	54	−11	−16.9
Sentinel	10⅛	−1⅛	−8.8
NBTY	11⅛	−1⅛	−8.5





JAPAN

	Sep 22	Sep 21	Sep 18	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	13789.81	13597.30	13383.12	17264.34	13597.30	38915.9	85.25

Day's high 13871.48 Day's low 13521.13

TOKYO TRADING ACTIVITY — Volume : 311,000,000

ACTIVE STOCKS Tuesday	Stocks traded	Close price	Day's change
Sakura	22,526,000	224	−5
NpSti	21,822,000	181	−2
LgTmCr	15,552,000	21	
Nomura	10,718,000	1030	−16
NKK	10,528,000	83	−4
BToki	7,329,000	887	+3
SumMit	6,851,000	136	−6
FujiBk	5,881,000	366	+9
MitsCm	5,780,000	230	−66
AsahiBk	5,736,000	415	+21

BIGGEST MOVERS Tuesday	Close price	Day's change	Day's chge %
Ups			
KDD	4520	+500	+12.4
OdEIRw	428	+40	+10.3
FujiSp	133	+12	+9.9
ToaCrp	213	+19	+9.8
Downs			
MitsCm	230	−66	−22.3
Oki El	252	−41	−14.0
ChichO	236	−32	−11.9
ChyFM	410	−37	−8.3

FRANCE

	Sep 22	Sep 21	Sep 18	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3347.98	3342.65	3465.22	4388.48	2862.54	4388.48	984.61

Day's high 3451.80 Day's low 3338.44.

PARIS TRADING ACTIVITY — Volume : 714,060,660

ACTIVE STOCKS Tuesday	Stocks traded	Close price	Day's change
Alctel	4,525,182	514	+4
FrTele	2,634,457	384.5	−16
RhonPA	1,608,359	212.5	−8.5
Renalt	1,575,705	221	−13
Usinor	1,441,928	57.65	+1.05
ElfAqu	1,401,378	718	+13
Rhodia	1,179,882	68.05	−4.95
Axa	1,078,451	562	+5
Vivndi	1,014,743	1141	−44
TotalB	945,199	710	+20

BIGGEST MOVERS Tuesday	Close price	Day's change	Day's chge %
Ups			
DassSy	207	+16.8	+8.8
Bongrn	2800	+224	+8.7
HavasAd	872	+67	+8.3
STMicro	298	+20	+7.5
Downs			
Legris	165.5	−13.5	−7.5
Dollfus	77.3	−6.15	−7.4
Legrnd	1221	−92	−7.0
BIC	279	−21	−7.0

GERMANY

	Sep 22	Sep 21	Sep 18	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	4575.15	4433.87	4598.58	6171.43	4067.28	6171.43	931.18

Day's high 4604.70 Day's low 4529.62

FRANKFURT TRADING ACTIVITY — Volume : n/a

ACTIVE STOCKS Tuesday	Stocks traded	Close price	Day's change
Siemns	879,797	80.3	−0.4
Cmrzbk	754,556	50.4	+1.7
Dt Bk	684,304	99.7	+5.4
Bayer	683,663	63.45	+1.2
Daimlr	584,001	[illegible]	+3.6
BASF	497,312	61.2	+0.4
Dr Tel	488,219	53.2	+2.9
VW	481,277	111.7	+2.7
Mannsm	463,797	135.5	[illegible]
RWE	313,693	93	+1.7

BIGGEST MOVERS Tuesday	Close price	Day's change	Day's chge %
Ups			
ErgoVr	[illegible]	+90	+11.0
SAP	772	+72	+10.3
BayHyV	139.2	+11.7	+9.2
HeidZm	120	+10	+9.1
Downs			
Thyssn	340	−30	−8.1
Hrldz	73	[illegible]	−7.6
ColPrf	140	−7	−4.8
McbRsD	440	−18	−3.9

UK

	Sep 22	Sep 21	Sep 18	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5103.3	4990.3	5055.6	6179.00	4980.30	6179	986.9

Day's high 5124.1 Day's low 4990.3

LONDON TRADING ACTIVITY — Volume : 978,400,000

ACTIVE STOCKS Tuesday	Stocks traded	Close price	Day's change
Shell T&T	24,149,170	347	+9
Br Telecom	19,741,210	828½	+43
BTR	17,102,000	109¾	+1
Alld Zurich	12,969,630	684	+24
Signet Gp	10,968,340	26½	+½
BP	10,551,590	850	+29½
Scottish&Nc	10,175,740	680	−12
Albert Fisher	9,951,451	10½	
Lucas Varity	9,950,950	195	+4½
Lloyds TSB	8,950,832	700	+33

BIGGEST MOVERS Tuesday	Close price	Day's change	Day's chge %
Ups			
Memory Corp	21½	+5	+30.3
Powerscreen	83½	+16	+23.7
Oxford Glyco	113½	+20½	+17.4
CMG	1698	+148	+9.6
Downs			
Longmead Gp	58½	−33	−36.1
Clinical Cmp	41½	−8½	−17.0
Scapa Gp	121½	−24½	−16.8
Celtic	300	−32½	−9.8

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	1031.20	1039.00	+8.50	1045.50	1030.20	89,265	379,230
Mar	1051.00	1048.50	+8.50	1055.20	1041.50	190	6,748
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Dec	13550.0	13800.0	+310.0	13830.0	13440.0	25,376	167,802
Mar	−	−	−240.0	13500.0	13450.0	−	6,237

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	3419.0	3363.0	+15.0	3480.0	3345.0	98,312	197,051
Dec	3451.0	3390.5	+15.5	3504.0	3370.0	14,993	38,830
DAX							
Dec	4680.0	4575.0	+104.0	4636.0	4557.0	21,731	64,489
Mar	4651.0	4612.0	+134.0	4665.5	4613.0	45	992

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	595.00	584.00	+4.50	598.50	582.50	77,572	96,119
Oct	600.00	586.25	+4.75	600.50	584.75	89,218	70,292
SOFFEX							
Sep	6220.0	6127.0	+69.0	6264.0	6090.0	32,771	119,913
Dec	6250.0	6157.0	+110.0	6250.0	6118.0	65	2,025

WORLD MARKETS AT A GLANCE

Country	Index	Sep 22	Sep 21	Sep 18	1998 High	1998 Low	✤ Yield	✤ P/E
Argentina	General	15395.30	14758.31	14802.30	23486.47 23/3	12909.14 10/9	4.24	12.80
Australia	All Ordinaries	2534.4	2521.9	2539.9	2881.40 16/4	2459.29 1/9	3.57	17.80
	All Mining	566.0	566.2	567.2	713.10 23/4	498.80 31/8		
All Ords rallied up from intraday low of 2,508 with firmer Asian markets. Activity remained overshadowed by election.								
Austria	Credit Aktien	(u)	353.77	353.37	584.34 26/5	389.17 3/9	2.07	11.20
	ATX Index	1097.10	1073.29	1105.63	1628.56 28/5	1073.29 21/9		
Rallied strongly, buoyed by a 8.9 per cent rise for OMV.								
Belgium	BEL20	3002.24	3006.36	3097.66	3932.07 20/7	2397.78 10/1	1.87	18.80
Ended lower. Bekaert fell more than 8 per cent.								
Brazil	Bovespa	5171.8	5480.0	5710.0	12898.00 15/4	4781.96 10/9	na	na
§ Edged higher in early trading.								
Canada	TSE 100♦	354.71	354.42	353.83	475.63 25/5	338.62 31/8	1.82	19.00
	Metals Mnls♦	2602.58	2594.16	2628.94	4390.01 10/3	2580.10 31/8		
	Composite♦	5780.20	5774.30	5771.40	7822.30 22/4	5530.70 31/8		
	PortfolioSS	2979.95	2965.56†	2961.78†	3995.81 25/5	2804.59 31/8		
§ Pushed higher in early trading, led by gains for banking sector.								
Chile	IPSA Gen¥	3112.01	3085.93	(c)	4691.85 17/3	2980.65 14/9	4.28	8.70
China	Shanghai B	31.14	30.49	30.53	59.58 10/2	28.25 12/8	1.46	29.60
	Shenzhen B	63.61	62.84	63.08	98.97 10/2	48.88 13/8		
Hard-currency shares pushed higher with Hong Kong shares. Turnover expanded, albeit still at dismal levels.								
Colombia	IBB	786.32	786.32	786.84	1431.49 7/1	786.32 21/9	na	na
Czech Republic	PX 50	381.3	357.5	369.7	617.30 23/3	357.50 21/9	na	na
Market pushed higher with Komercni Banka up 5 per cent.								
Denmark	CopenhagenSE	582.48	578.48	605.43	778.84 7/4	578.48 21/9	1.88	16.20
Tele Danmark rallied 5 per cent as shares pushed higher.								
Egypt	Cairo SE Gen	384.0	383.7	(u)	383.19 21/4	346.40 2/2	na	na
Finland	HEX General	4002.74	3879.51	4080.66	5503.43 21/7	3220.43 12/1	2.65	12.40
Improved along with Nokia which added 5.5 per cent.								
France	SBF 250	2146.80	2135.97	2217.88	2798.73 17/7	1873.10 12/1	2.79	18.80
	CAC 40	3347.98	3342.65	3465.22	4388.48 17/7	2882.54 12/1		
Ended little changed. Renault stayed weak for a two-day fall of 15 per cent.								
Germany	FAZ Aktien	1450.28	1418.96	1469.02	1940.80 20/7	1334.18 12/1	1.61	18.00
	Commerzbank	4307.40	4199.40	4357.50	5712.60 20/7	3926.20 12/1		
	DAX‡	4575.15	4433.87	4598.58	6171.43 20/7	4067.39 12/1		
Ended off the best of the day. Adidas and HypoVereinsbank both gained more than 10 per cent.								
Greece	Athens SE	2140.28	2061.96	2173.58	2825.62 21/7	1380.13 29/1	2.05	15.30
	FTSE/ASE 20	1298.07	1288.20	1311.32	1727.13 21/7	755.18 29/1		
Banks led a sharp rebound for shares.								
Hong Kong	Hang Seng	7373.61	7170.23	7445.95	11810.83 25/3	6660.42 13/8	8.88	8.30
	HSCC Red Chip	734.42	718.84	758.57	1775.99 27/2	676.97 1/9		
Shrugged off news of US$4.4bn decline in foreign reserves to US$96.7bn and bounced in sympathy with New York and Tokyo.								
Hungary	Bux	3831.60	3775.02	4162.06	9016.96 23/4	3775.02 21/9	na	na
Ended marginally higher after local investors took profits.								
India	BSE Sens.	3095.25	3080.90	3090.72	4280.96 21/4	2892.55 1/9		
	Crisil 500	612.37	612.14	612.61	815.62 21/4	573.82 18/8	na	na
Ended slightly better on scattered buying. Volumes stayed dull.								
Indonesia	Jakarta Comp.	260.87	256.83	271.67	554.10 2/2	256.83 21/9	3.91	9.70
Semen Gresik gained 3.9 per cent after Mexico's Cemex said it would tender for a further 6 per cent of the shares.								
Ireland	ISEQ Overall	4051.22	4031.55	4094.95	5471.81 21/4	3924.39 7/9	2.36	15.50
Israel	Tel Aviv 100	(c)	(c)	(c)	387.43 8/6	265.52 11/2	na	na
Italy	BCI Comit 30	280.04	268.58	264.66	386.60 20/7	254.84 2/1	2.25	18.90
	Banca Com Ital	1191.73	1156.84	1159.57	1654.36 7/4	1072.35 2/1		
	Mibtel General	18514.0	18277.0	19192.0	26377.00 6/4	17209.00 2/1		
Ended higher. Fiat again volatile, off 1.9 per cent ahead of six month results.								
Japan	Nikkei 225	13789.81	13597.30	13383.12	17264.34 2/3	13597.30 21/9	1.08	38.00
	Nikkei 300	204.74	204.12	209.39	257.43 10/2	204.12 21/9		
	Topix	1050.17	1047.79	1073.22	1308.30 10/2	1047.79 21/9		
	2nd Section	1143.74	1159.18	1164.31	1461.27 12/2	1143.74 22/9		
Ignored news Fitch IBCA had downgraded Japan's foreign currency rating and bounced on support from public pension funds.								
Jordan	Amman SE	173.52	173.85	(c)	184.82 17/6	164.84 30/1	na	na
Malaysia	KLSE Comp.	385.45	378.32	383.30	745.36 27/2	262.70 1/9	4.11	19.10
Pushed ahead in thinner volumes with focus firmly on politics in wake of Monday's anti-government demonstrations.								
Mexico	IPC	3385.30	3494.40	3475.90	5284.00 2/1	2858.10 10/9	1.79	10.00
§ Rose strongly in early trading.								
Morocco	CASA	872.70	873.05	(c)	893.98 1/9	666.57 21/1	na	na
Netherlands	CBS TRtnGen	1184.2	1059.1	1121.0	1480.00 20/7	1045.20 12/1	2.82	17.90
	CBS All Shr	620.8	594.9	630.3	845.15 20/7	594.89 21/9		
Philips and Unilever rallied strongly to push broad market higher.								
New Zealand	Cap. 40	1710.39	1718.19	1734.87	2350.62 20/3	1718.38 22/9	5.63	16.20
Slid in thin volumes to a new 5-year low. Gas stocks under pressure after minister's warning on price rises.								
Nigeria	SE All-Share	(u)	5711.25	5703.49	6504.87 11/2	2238.49 12/1	na	na
Norway	Oslo SE Ind	1524.14	1489.76	1547.32	2370.69 4/5	1489.76 21/9	2.47	10.80
Energy stocks rallied to send market ahead. Norsk Hydro gained 3 per cent.								
Pakistan	Karachi SE	1092.90	1094.01	1058.73	1748.31 2/1	785.73 14/7	na	na
Higher amid hopes that prime minister will sign comprehensive test ban treaty later in week.								
Peru	Lima Gen	1159.60	1159.50	1166.39	1980.81 4/5	1159.50 21/9	na	na
Philippines	Manila Comp	1123.36	1164.26	1174.81	2011.62 25/3	1092.16 11/9	2.25	8.70
Continued to suffer with peso over the impending closure of Philippine Air Lines.								
Poland	WIG	11986.5	11747.9	11928.61	18892.70 11/3	10689.70 1/9	3.82	3.70
[illegible]								
Portugal	BVL 30	4275.90	4317.08	4508.43	6176.89 22/4	3879.27 2/1	2.26	23.30
	PSI 20	9712.86	9804.00	10453.72	14282.89 22/4	8931.84 2/1		
Russia	RTS	49.65	47.81	50.12	411.81 5/1	47.81 21/9	na	na
Shares rallied in some of the best volume since the summer.								
Singapore	SES All-S'pore	276.63	272.56	281.12	437.99 19/3	253.29 4/9	1.24	13.00
	Straits Times	895.32	882.59	912.74	1698.75 19/3	866.84 4/9		
Retail buying pushed shares higher in thin volumes, with institutional activity subdued.								
Slovakia	SAX	105.44	109.88	109.58	192.48 5/1	105.44 22/9	na	na
South Africa	JSE All Share	4806.7♥	4751.6	4844.4	8359.79 20/4	4804.49 11/9		
	JSE Gold	940.0♥	1015.9	991.3	1152.70 6/7	672.60 18/3		
	JSE Indl	5533.3♥	5275.6	5415.1	8942.70 20/4	5248.00 11/9	5.55	7.60
Market bounded higher, led by financials. Golds fell 7.5 per cent.								
South Korea	KoreaCmpEx**	292.61	297.45	302.21	574.35 3/3	280.00 16/6	1.70	13.70
Fifth consecutive decline with foreign selling outweighing domestic buying.								
Spain	Madrid SE	674.58	651.97	687.01	947.82 17/7	645.14 12/1	2.40	18.30
Banks drew higher with BBV 12.2 per cent.								
Sri Lanka	CSE All Share	499.50	493.46	490.61	799.70 4/5	461.30 3/9	na	na
Retail buying pushed shares higher in thin volumes. Foreign investors were inactive.								
Sweden	AffarsvarldnGen	2832.7	2803.5	2853.9	3995.80 20/7	2803.00 21/9	2.50	16.90
Gained ground in spite of a marked decline for heavyweight, Ericsson.								
Switzerland	SMI Index	6111.1	6021.5	6342.7	8412.00 21/7	6021.50 21/9	1.49	19.70
	SPI General	3866.22	3832.49	4020.04	5237.38 20/7	3781.35 12/1	na	na
Ended significantly short of the day's highs. Roche closed little changed.								
Taiwan	WeightedPr.**	7033.99	7029.40	6961.78	9277.08 2/3	6251.38 3/9	1.54	19.20
Early gains eroded to end flat as volumes fell to T$78.5bn. Electronics gained 1.3 per cent.								
Thailand	Bangkok SET	223.14	221.88	221.85	558.92 3/2	207.31 4/9	5.09	34.80
Fifth consecutive gain. Banks ended flat while energy gained 1.0 per cent and telecoms jumped 1.3 per cent.								
Turkey	IMKB Nat. 100	2342.76	2141.65	2278.33	4830.56 16/7	1948.42 17/9	5.18	8.90
Shot higher in active trading. Oil refiner Tupras jumped 16.7 per cent.								
Venezuela	IBC	3096.37	2976.03	3007.60	7856.82 23/3	2894.70 10/9	na	na
Zimbabwe	ZSE Industrial	(u)	5817.98	(u)	9766.71 31/3	5441.85 1/9	na	na
WORLD	FT/S&P World(§)	(u)	253.64	256.53	305.82 17/7	243.98 9/1	na	na
	MS Capital Int§	(u)	944.0*	954.3	1143.80 20/7	865.50 12/1	na	na
CROSS-BORDER	DJ Stoxx 50	2792.61	2709.98	2821.30	3870.82 20/7	2574.61 12/1		
	DJ Euro Stx 50	2728.32	2658.27	2781.69	3656.48 17/7	2498.81 12/1		
	FTSE E300	1010.57	988.66	1021.37	1327.68 20/7	971.83 12/1		
	FTSE E100	2322.64	2271.08	2344.37	3086.91 20/7	2226.40 12/1	na	na
	HSBC Dngn	(u)	166.97	161.86	273.91 26/3	162.78 7/8	na	na
	MS Dngn Emg	(u)	91.89	92.86	160.06 22/4	88.84 11/8	na	na

** Sat Sep 19: Taiwan Weighted Price 7149.60; Korea Comp Ex 301.23. Nominal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index Sep 22: 4549.33 +110.10. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ¢ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation. ✤ Yields and P/E ratios are based on Datastream Total Market Indices. § Midsession.

THE NASDAQ STOCK MARKET

4 pm close September 22

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

THE NASDAQ STOCK MARKET

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close September 22

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

The EASDAQ All Share Index (EASI) for 22nd September 722.51 down 4.6% Day's high: 724.49 Day's low: 697.63
EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low
4Front Technologies	US$7.5	+0.5	0	11.5	5.25
ActivCard	US$3.375	-0.125	24000	6.375	2.25
Algol	ITL27400	+1900	5000	44250	13250
Artwork Systems	US$14.75	+0.5	9310	21.125	5.875
Autonomy Corp.	US$3.1875		0	4.1875	3.1875
Chemunex	FF10.5		811660	22.5	9.5
City Bird Holding	US$7		500	10.3125	6.1875
Debonair Holdings	GBP0.91		2400	7.1	0.6
EDAP TMS	US$2.625	+0.375	750	9.125	2.25
EPIQ	DEM6.75	+0.5	58300	10.375	5.25
ESAT Telecom	US$32.5	+2.25	0	43.75	13.5
Esthaco Prod. Int.	FF110.63	+0.18	5000	121.25	69.3
Esprit Telecom	US$24.625	+3	5450	46.625	4.875
Fyffi International	Sch368	-5	2526	680	368
F.I. V Fund	US$15	+0.375	29399	22.25	14.5
Global Graphics	FF195.5	+3	4050	238.5	190
Global TeleSystems	US$29		600	62.375	25.5
Grainger Telecom	US$14.625	+0.125	14300	27.25	10.25
Gruppo Formula	ITL19000		17750	35500	14250
ICOS Vision Syst	US$13.625	-0.125	1206	30.875	12.125
Innogenetics	US$3.25	+1.5	28537	74	9.875
Integr. Surg. Syst.	DEM8.6		0	12.2	5.8
Lernout & Hauspie	US$43.875	+4.75	42737	65.25	13.125
Meliex	US$12.75	+0.375	15040	20.0625	7.375
Mercer Int	US$6.25	-0.125	0	12.875	6
NTL	US$43	+0.5	0	63.75	20.5
Opsion Int'l	US$39.25	-0.625	3850	67.63	10.88
Orthovita, Inc.	US$10.125		2955	11.625	10.125
Pauill Racing Syst.	Sch395	+245	2355	5150	3320
Pharming	NLG24.25	-0.25	11750	33.5	23.5
PixTech	US$4.125	-0.125	1300	7.625	2.125
Royal Olympic	US$6.625		0	18.5	5.625
S&T Syst Integrat.	Sch2040	+20	6525	4135	1930
Schoeller-Bleckmann	Sch1030	+75	0	1795	354
TelDaFax	DEM65.5	-1	0	29.25	61
Topcall Int'l	Sch2940	+393	9644	5038	622
Turbodyne Technol	US$5.6	+0.3	10570	15.83	2.1

Prices for 22/9/98. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: http://www.easdaq.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 489 9900). Annual/interim reports can be obtained for companies with a ♣ symbol in this table. Annual Reports Club telephone +44 181 770 0770. For further details please see Share Price pages.

STOCK MARKETS

Japanese crisis keeps investors on edge

WORLD OVERVIEW

Indications that President Bill Clinton had survived his latest Starr Chamber ordeal reassured equity markets, *writes Michael Morgan.*

Most leading Asian markets had a better day as Tokyo picked itself up from Monday's 12-month low. However, the mood in many centres remained nervous in the face of Japan's protracted financial crisis. Hong Kong took its lead from the firm overnight close on Wall Street but Manila was the region's big loser as investors continued to come to terms with an increasingly bleak domestic economic outlook.

Banks, telecoms and the high-technology sector led an early European recovery on the view that Monday's nervous pull-back had been overdone. But the bourses retreated from their highest levels as Wall Street turned down late in the European day. Meanwhile, speculation also mounted late in the session that plans were at an advanced stage for G7 countries and multilateral agencies to launch a multi-billion dollar rescue furn for emerging market nations, with Brazil a key beneficiary.

But in spite of the more upbeat mood, caution remained the watchword.

While Jerry Evans at Enskilda Securities is doubtful that equities are entering a full bear market, he believes an early return to a bull trend is even less likely. Economic trends will be opaque for some time and, as a result, the markets could well trade within wide but clearly defined ranges into 1999, "jumping like kangaroos between positive and negative sentiment".

Little respite is seen for the emerging markets. Brian Mullaney at HSBC Securities notes that the last three months has seen the biggest ever pull-back in the IFC composite index, exceeding last autumn's Asian conflagration as well as the 1994 Tequila crisis. This has left emerging market assets, especially equities, now looking incredibly cheap. "The risks, however, are simply too high to opt for anything other than a highly selective stance in what we expect to be a highly turbulent environment in the months immediately ahead."

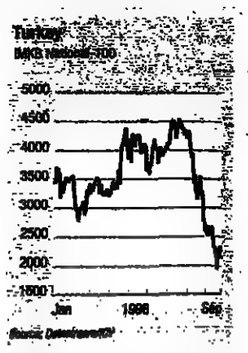
Merrill Lynch advised investors to prepare for the lowest global interest rates since the second world war over the next year as excess liquidity triggers a wave of deflationary pressure.

Chief investment strategist Chuck Clough suggested investors should be prepared for a collapse in money rates in the G7 countries, led by the US. The collapse in Asia was already visible, tensions were rising in Latin America and eastern Europe, and the trend was making itself felt in Europe.

EMERGING MARKET FOCUS

Foreigners flee Russian threat

Turkey's brokers are grasping for ways to explain the calamitous time they have had since Russia's effective devaluation of the rouble on August 17.



The latest scapegoat is Mesut Yilmaz, the prime minister. On Friday they seized upon his announcement that he intended to "increase trade volumes and lighten the burden on brokerage firms" as evidence he would postpone the implementation of a bitterly resented capital gains tax.

This belief fuelled a 17 per cent surge by the benchmark national-100 index but when full details became known yesterday it was clear the tax concessions fell short of expectations.

Until Friday's rally, the index had dipped 53 per cent since the Russian devaluation, and trading volumes were down almost as much. Also on Friday, Global Securities, a prestigious Istanbul brokerage, announced 150 redundancies.

Gazi Ercel, Turkey's central bank governor, has predicted capital outflows of around $4.5bn from Turkish markets, as the side effects of panic to east and north started to be felt.

Now that Mr Ercel has been proved right – in the past two months investors have withdrawn about the sum he had forecast from Turkey's money markets – realistic brokers admit that, by blaming a tax that will not come into force for two years, their colleagues may be missing the point.

Mr Yilmaz blames the slide on a "misunderstanding of the tax law and the shallowness of the market".

The palliative he announced yesterday included cutting to 25 per cent the minimum equity component of tax exempt mutual funds, reducing bank and insurance taxes payable by brokerage firms in repo transactions and shortening the period, from a year to three months, for which investors have to hold on to shares if they are to benefit from tax exemption.

Yesterday's 9.4 per cent rise for the market had more to do with encouraging news from equity markets in Europe than to particular elation at his announcement.

Nevertheless, his tax breaks may have coincided with a respite from panic sales. "The short-term downward trend is over," said Serdar Surer, a dealer with Istanbul's Ekinciler Securities.

Funda Soydemir, an economist at Demir Yatirim, an Istanbul brokerage firm, says that foreign participation in the stock market, which peaked at around 55 per cent in May, has now flattened out at around 36 per cent. "Those who haven't sold yet look like long stayers," she said.

Terrible news from Moscow and Asia is responsible for the recent rise in interest rates – up to 136 per cent for six month bonds – and for fears that the government's ambitious privatisation targets are untenable.

The best thing Mr Yilmaz could do, some brokers feel, is try to delay potentially destabilising elections, which have been scheduled for next April, but need only be held by late 2000.

Christopher de Bellaigue

Dow falters but techs push higher

AMERICAS

Wall Street remained mixed going into the afternoon session, with blue chips remaining weak but some technology shares gaining ground, *writes John Labate in New York.*

People were looking towards Alan Greenspan's testimony to the Senate today, said Bill Meehan, chief market analyst at Cantor Fitzgerald. "We're probably going to drift around relatively aimlessly. The next thing will probably be when we get more reported earnings or clear guidance as to what 1999 will be like."

The morning session was marked by a summit meeting between President Bill Clinton and Keizo Obuchi, the Japanese prime minister, in New York. Analysts held out little hope that a bold financial plan for Japan would emerge soon.

By early afternoon the Dow Jones Industrial Average had lost 60.51 to 7,872.74, while the Standard & Poor's 500 index was flat at 1,023.82. The tone was mildly positive, with advancing shares leading decliners by 17 to 11 on the NYSE.

Technology and small-cap shares fared better. The Nasdaq composite was up 10.34 to 1,690.77 and the Russell 2,000 index climbed 2.40 to 365.04.

Among Dow components Eastman Kodak shares fell $2 1/16 to $82 13/16 after Goldman Sachs lowered its rating to "outperform". Coca-Cola was down as well, off $2 7/16 or more than 4 per cent to $56 11/16 on speculation surrounding its planned acquisition of a French drinks company. American Express fell $3 1/16 to $82.

Crown Cork & Seal tumbled more than 13 per cent or $5 to $32 1/16 after the company announced a reorganisation, job cuts and a third-quarter charge.

Retailer Venator rose $ 1/16 to $10 after the company said it would sell German stores and planned a new share buyback programme.

Transport shares pushed higher with UAL, the parent company of United Airlines, up $1 7/16 to $69 7/16 after the company announced a new president and chief executive.

High-technology shares were mixed. Advanced Micro Devices climbed $ 9/16 or more than 5 per cent to $18 9/16 after it announced a new line of semiconductor chips. But Hewlett-Packard fell $ 9/16 to $50 9/16.

TORONTO held its gains although an early rally on Wall Street fizzled out, and the TSE added 14.67 or 0.3 per cent to 5,789.00.

Most of the TSE 300 sub-indices gained ground, but communications and media, consumer products and financial services edged lower.

Utilities, which led the TSE's early rally, was supported by telecommunications shares. BCE, the telephone giant, added 30 cents to C$47.90 while Telus rose 15 cents to C$30.75.

In the financials group, Bank of Nova Scotia fell 10 cents to C$25.50. Royal Bank of Canada bucked the trend, gaining 30 cents to C$63.80 and Bank of Montreal added 25 cents to C$59.30.

São Paulo's early rise

Latin American markets were higher at midsession, taking their lead from the positive tone seen in Asia and Europe.

SAO PAULO was an early winner, jumping more than 4 per cent and setting the tone for neighbouring markets. But by midsession the rise in the Bovespa index had been trimmed by 26 at 6,475 as domestic investors again became cautious, unwilling to adopt fresh positions ahead of the general elections on October 4.

MEXICO CITY also put in an early spurt, rising more than 4 per cent in the first 30 minutes. Analysts noted that market sentiment had improved on hopes that the region could look to international lending agencies and the world's rich countries for aid. By midsession the IPC index was 93.7 or 2.7 per cent higher at 3,588.1.

BUENOS AIRES was another strong performer. By midsession the Merval index was 12.86 or 3.6 per cent higher at 369.04.

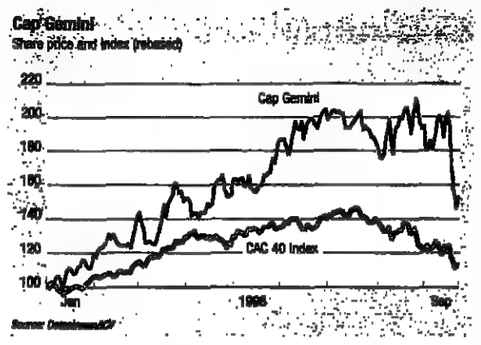
Volatile Paris finds plateau

EUROPE

European equities stayed volatile with early gains in most centres pared deeply by the close of trading.

PARIS, which touched a session peak of 3,451.60, ended with the CAC 40 little changed, up 5.33 at 3,347.98.

Among the heavyweights within the benchmark, Renault stayed out of favour, sliding FFr13 to FFr221 for a two-day decline of 15 per cent while France Telecom shed FFr18 at FFr384.50. Rhône-Poulenc tumbled FFr8.50 to FFr212.50.



Alcatel, down more than 50 per cent in three days following a profits warning, rallied on the back of a presentation to US investors in New York, adding FFr4 at FFr514. Cap Gemini, which reached up to FFr795 at one stage following an earnings upgrade by Goldman Sachs, closed FFr25 higher at FFr725.

Among lesser caps, television group TF1 rose FFr84 or 9 per cent to FFr1,019 on top-of-the-range first-half results that prompted talk of broker earnings upgrades.

FRANKFURT gained 110.10 to 4,549.23 on the Xetra Dax index – 59 points below the best of the day.

SAP jumped DM74 to DM854 after an upgrade to "strong buy" from "outperformer" by Lehman Brothers. Adidas Salomon and HypoVereinsbank both surged more than 10 per cent, advancing DM16.40 to DM173 and DM12.40 to DM138 respectively.

Steel leader Thyssen stayed out in the cold, not helped by competition concerns on the news that Usinor of France was bidding for control of Belgian giant Cockerill Sambre. Thyssen fell DM11.40 to DM304.60.

AMSTERDAM, one of the weaker European markets in recent sessions, gained 41.27 to 943.88 on the AEX index with strong gains for the international heavyweights supplying most of the fuel.

An upbeat analyst's briefing by the UK arm sent Unilever up Fl 9.80 or 9.2 per cent to Fl 116.80 and Philips also rallied strongly, rising Fl 10.30 or 12.6 per cent at Fl 92.30 in spite of a round of savage earnings cuts by brokers. Goldman Sachs, for example, reduced its estimates of Philips' earnings per share by 19 per cent for this year and 30 per cent for 1999, although it kept the electronics giant on its recommended list.

ZURICH regained its composure after Monday's 5 per cent tumble and the SMI index finished 89.6 higher at 6,111.1, off a peak of 6,248.3.

Among the strongest gainers, Zurich Allied put on SFr18 to SFr750 while Novartis gained SFr23 to SFr2,183.

Nestlé also had a good day, rising SFr78 to SFr2,670 in spite of lowered earnings estimates from three banks.

Cyclicals were mixed. ABB rose SFr35 to SFr1,365 but Holderbank dropped SFr26 to SFr1,343.

MILAN gained 637 or 3.5 per cent to 18,914 but closed off its day's highs as Wall Street lost initial gains.

Fiat gave ground ahead of its post-market first-half results announcement. The shares fell L117 or almost 2 per cent to L4,607 on fears over its exposure to Brazil.

Magneti Marelli, Fiat's auto components maker, fell L45 or 1.2 per cent to L2,307 after the company released a sharp fall in first-half pre-tax profit figures. The weak figures weighed on Fiat shares.

Banks were in favour, with Banca di Roma up L174 or 6.6 per cent to L2,829 and Banca Commerciale Italiano up L288 to L8,882. Credito Italiano closed up L402 to L7,438 after an official said that the bank expected to post above target 1998 results.

Montedison, the most active issue of the day, rose L67 to L1,735. Alitalia slid L167 to L5,224, posting its second straight decline following its debut in the Mib30 index on Monday.

MADRID gained ground on technical buying and the general index closed up 22.71 or 3.5 per cent to 674.68.

Stocks that had fallen out of favour because of exposure to Latin America rallied. Banco Bilbao Vizcaya rose Pta135 or 10.3 per cent to Pta1,445, Santander added Pta160 or 8 per cent to Pta2,190 and Telefónica gained Pta230 or 4.8 per cent to Pta5,050.

Investors also sought defensive stocks. Retailers were higher with hypermarket Continente up Pta95 or 2.7 per cent to Pta3,600, and Pryca adding Pta205 or 7.7 per cent to Pta2,880.

Utilities were also seen as safe havens from turmoil on international markets, with Endesa adding Pta45 or 1.5 per cent at Pta3,055 and Sevillana closing up Pta30 or 2 per cent at Pta1,550.

STOCKHOLM moved higher in above average volumes in spite of a down day for Ericsson. The market heavyweight eased SKr1.00 to SKr150 on news that its interim results would be announced on October 12 with a "review of the company's structure". The general index ended up 1.2 per cent at 2,774.17.

Drugs leaders pushed higher. Astra gained SKr4.50 to SKr137.5 and Pharmacia & Upjohn added SKr3.50 at SKr378.50.

Fashion retailer Hennes & Mauritz jumped SKr18 to SKr548 following what local brokers described as top-of-the-range nine-month results.

BRUSSELS closed lower with the Bel-20 index down 0.2 per cent at 3,002.24. UCB lost BFr5,800 at BFr176,600 while wide ropes specialist Bekaert tumbled BFr1,600 or more than 8 per cent to BFr18,900.

Written and edited by Michael Morgan, Jeffrey Brown, Emiko Terazono and Peter Hall.

Firmer rand lifts Jo'burg

SOUTH AFRICA

Pushed higher by a firmer rand and a rebound for European equities, Johannesburg's all share index ended up 155.1 or 3.3 per cent at 4,906.7 in spite of weak golds.

Financials set a hot pace, advancing 5.6 per cent to 7,264.5, while industrials gained 4.9 per cent at 5,533.3. Turnover was again on the thin side. Bullion improved but currency pressures unsettled golds which tumbled 7.5 per cent to 940.0.

Tokyo climbs off 12-year low

ASIA PACIFIC

Shares in TOKYO mustered a weak recovery from Monday's 12-year low, although concerns remained about a plan to tackle the ailing financial sector's bad loan problem and the outlook for corporate profitability, *writes Alexandra Harney.*

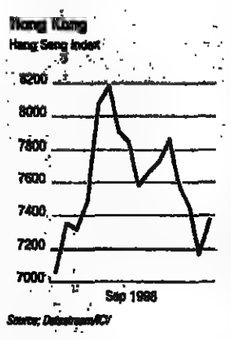
But analysts warned that the market's momentum remained negative on the eve of the meeting between Keizo Obuchi, the prime minister, and President Bill Clinton.

The Nikkei 225 average finished 1.4 per cent or 192.51 higher at 13,789.81 in moderate trading which saw the index move between 13,521.13 and 13,871.48.

The Topix index of first section shares improved only 2.38 to 1,050.17.

Volume rose to 511m shares traded, but momentum was sluggish. Advancing issues outnumbered losing shares 594 to 537, with 161 shares unchanged.

Banks and steel companies were heavily traded. Sakura Bank led the market in volume terms, losing Y5 to Y224. The Bank of Tokyo Mitsubishi climbed Y3 to Y987 and Fuji Bank Y9 to Y366. Sumitomo Bank, however, lost Y14 to Y1,037.



Steel shares extended their recent losses. Nippon Steel, the industry leader, slid Y2 to Y181. NKK lost Y4 to Y83 and Sumitomo Metal fell Y6 to Y136.

Blue chips suffered on concerns about the US economy. Nissan Motor was down Y12 to Y398 after disappointing sales figures for August.

Matsushita Electric lost Y31 to Y1,821. But Honda climbed Y9 to Y4,140 on better-than-expected turnover.

Securities companies were mixed. Taiheiyo Securities gained 33 per cent or Y20 to Y81 following reports of an alliance with Sumitomo Life Insurance. Nomura Securities tumbled Y16 to Y1,030.

Oki Electric, the semiconductor group, fell 14 per cent or Y41 to Y252 on news that the company would fall into the red this year. In Osaka, the OSE index gained 71 to close at 14,447.

HONG KONG shrugged off three straight days of declines to finish higher on a technical rebound triggered by firmer US and Tokyo stocks. The Hang Seng index ended 203.28 or 2.8 per cent higher at 7,373.51, off a high of 7,438.33.

Utilities led the blue-chip gainers with CLP Holdings up HK$1.20 to HK$35.90, Hongkong Electric HK$1.15 at HK$26.50 and Hongkong Telecom 50 cents at HK$14.80. HSBC Holdings added HK$3.50 to HK$135.50.

SYDNEY reversed early losses to end higher following a late burst of futures-driven buying. Volumes were dull with activity held in check by political uncertainty ahead of next week's general election. The All Ordinaries index ended up 12.5 at 2,534.4 after a session low of 2,506.9.

Commonwealth Bank rose 40 cents to A$19.95 and News Corp 30 cents to A$10.60.

MANILA fell 40.96 or 3.5 per cent to 1,123.30 on the composite index as the peso weakened on foreign exchanges and telecoms giant PLDT ran into a wave of selling.

PDLT accounted for almost 70 per cent of the day's trading volume, sliding 90 pesos to 770 pesos. Among financials, Ayala Land shed 20 centavos to 5.50 pesos.

SEOUL fell for the fifth consecutive day as foreign investors sold blue chips and the composite index closed down 4.84 to 292.61.

Samsung group shares met heavy selling on fears that the group's bid to buy Kia Motors and Asia Motors would place a strain on the group companies' funding. Samsung Electronics fell Won1,650 to Won33,300 and Samsung Display Devices Won250 to Won27,150.

Korea Electric Power, the most heavily weighted in the index, fell Won100 to Won17,700 while Pohang Iron and Steel retreated Won500 to Won42,800.

SINGAPORE rose on retail buying and the Straits Times index climbed 22.60 or 2.6 per cent to 905.19. Sentiment remained cautious due to political unrest in Malaysia, but retail investors bought property and blue chips.

Singapore Airlines rose 55 cents to S$8.65 on hopes of share buybacks while Keppel Land gained 5.5 cents to 73 cents.

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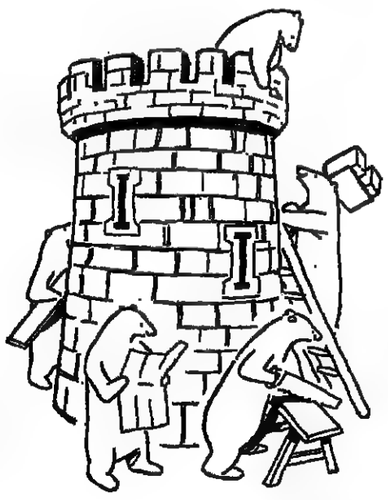

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OFFICE OF THE FUTURE

As the information revolution gathers pace, the 'virtual office' will become the norm in many industries, reports Paul Taylor

Millennium will bring plenty of surprises

As the 20th century draws to a close, the office workplace is undergoing perhaps its most dramatic transformation as digital technologies sweep aside their analogue predecessors and electronic commerce reshapes the way business is conducted.

Some have likened these changes to those that were ushered in 150 years ago by the industrial revolution. The impact may be just as dramatic, but the information revolution is happening at a much faster pace.

Even compared with 25 years ago, the offices in which most people now work are unrecognisable. A wide range of digital electronic equipment, including printers, fax machines, digital copiers and scanners can now be found in most offices and are quickly replacing their analogue counterparts.

Digital wireless systems – both radio and infra-red – are beginning to replace fixed wire data and voice networks and the distinction between data and voice networks themselves is rapidly disappearing.

In future, the broadband communications "pipe" entering the office will carry the full range of multimedia services. For example, John Chambers, Cisco's chief executive, envisages a future where his company's networking equipment will facilitate the transmission and distribution of any form of data stream.

Meanwhile, personal computers – including portable devices – have replaced electric/electronic typewriters on virtually every desk and knowledge management has become a key business skill.

Intranets (private networks) already enable employees to exchange data easily with each other and with partners and customers, and electronic mail has joined voice telephony as a mainstream business communications tool.

Looking ahead, desktop video conferencing, Internet Protocol (IP) telephony and the growth of multimedia networking will lead to further changes in the office environment, as will the development of new "business intelligence" tools that will enable users to find information more easily and spot trends or anomalies in vast quantities of data gleaned from electronic transactions.

In this new environment, the chief information officer (a new role which has emerged in leading edge companies), will help to manage and exploit knowledge – that most valuable of corporate assets.

In the office, the proliferation of electronic devices has had both positive and negative effects. Noise levels have fallen, but cabling requirements have grown as has the heat output, increasing the need for airconditioning.

The gradual replacement of cathode-ray PC monitors with TFT liquid crystal displays will begin to reduce heat output in the next few years.

The shape of offices has changed, too. Corridors and individual offices have gone, to be replaced by open-plan environments. Private space has disappeared in other ways: maximum utilisation of space is achieved through hot-desking, the sharing of workspace with colleagues working at different times.

As a PA Consulting report entitled *Offices for the New Millennium* which looks ahead 10 years, notes: "Rather than being a place to go to work, the office will become a place to visit to interact with colleagues and obtain support services.

"The proportion of space devoted to meeting, conference and training facilities will increase compared to that devoted to workstations."

The PA report, written by Peter Osborne and based on a user survey, suggests that organisations will occupy less office space, in more, smaller buildings.

Changes in the physical office environment are being driven by several key factors: these include improvements in communications technologies which will promote remote working as a real and viable alternative.

Yet, according to a recent independent study prepared for Symantec, the PC software group, three-quarters of UK organisations have no formal or informal teleworking policy, despite the fact that half the respondents claimed it was something they wanted to do.

Among the key concerns which have inhibited the adoption of teleworking, respondents cited the lack of suitable software and the need to access the office in an easy and secure manner.

Some of these concerns are being addressed by companies such as Symantec with software packages such as pcAnywhere. Other groups, including Dell Computer, BT and Nokia, have combined their resources to put together all-in-one "mobile office" packages – in this case, combining Dell's high performance Latitude CP notebook PC, Nokia's PC card phone and the Cellnet service, for £1,649.

Meanwhile, for those based in remote offices or working from home, the lack of bandwidth remains an important constraint. Wideband networks should be commonplace in the UK (and elsewhere) in less than 10 years, notes the PA report. At present, remote working is limited by capacity constraints – restrictions which will be eased by the widespread deployment of broadband technologies such as cable modems, xDSL devices and satellite systems.

"Removal of this limitation will greatly increase the practicality of working remotely," says the report. In addition, the introduction of number portability and telephone numbers that apply to people rather than a location will simplify communications with mobile and remote workers.

More people will work from home

Already, some IT experts are talking about the provision of "IP dialtone" – the ability to hook into Internet-based services using any device, via any network (wired or wireless) anywhere.

Certainly, it seems likely that a greater proportion of office workers will spend some of their time working from home. As one electronics industry respondent told the PA researchers: "We worked out that every office worker cost the company £5,000 in rent, rates, heat, light and power. We want people working from home and we want to use our buildings better."

Within the office, distinctions between types of electronic device are blurring as most electronic devices switch from analogue to digital and network computing becomes the norm.

For example, Chris Wills, marketing director of Ricoh in the UK, says the Japanese office equipment group has seen a surge in sales of its digital copiers over the past 18 months. "The investment we made in digital technology 10 years ago is beginning to pay off," he says.

Once office equipment has moved to a common digital platform, bound together by the ones and zeros of binary computer language, the next step towards integration seems increasingly inevitable.

Thus, while the computer and telephone are being welded together by the requirements of network computing and communications, so multifunction devices, combining the functions of printer, scanner, photocopier and fax, are beginning to appear. "Integration of these functions into one or two physical items is inevitable," says PA.

Similarly, although the dream of the paperless office seems as elusive as ever, the growth in the use of electronic storage, particularly optical storage, continues apace.

While PA Consulting estimated that electronic storage comprised about 10 per cent of the total in 1995, it predicted that this figure would rise to about 50 per cent by 2005.

Together with the trend towards companies employing fewer people, this could lead to a marked reduction in office space requirements, and a greater fragmentation of the market itself.

Companies are expected to employ fewer full-time staff – including administrators – in part, because of the growing use of outsourcing and a greater workforce flexibility.

Outsourcing itself implies that more of a company's business will be conducted by others away from the main place of business.

Analysts also suggest that as staff have become more PC-literate, the need for secretarial support has fallen with many organisations reducing these services by up to 30 per cent in the past 10 years. Direct dictation and "voice" technologies will increase this trend.

Space requirements are also likely to be further reduced by the growing use of hot-desking or sharing office facilities as office workers become increasingly mobile.

Some companies, particularly those in the IT sector itself, have already embraced hot-desking, and some estimates suggest that, despite some opposition, up to half the office workforce will hot-desk in 10 years' time and spend

Turn to page two

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NETWORK COMMUNICATIONS AND E-MAIL • by Mark Vernon

Seeking solutions to the information overload

Companies are struggling to find ways to cope with the increasing flood of electronic messages arriving via personal computers

Handling electronic-mail was never meant to be an important corporate issue. But many office staff are now frustrated by e-mail overload.

"If I am out of the office for a few days, the messages pile up and I have to come in and work crazy hours," says a typical e-mail user, featured in new findings from Forrester, the research group, which asked how companies handle the messaging torrent.

Forrester's work looks in particular at the management of customer e-mail, only a part of the e-mail problem but one which highlights many of the more general issues. For example, customer contacts do not necessarily come through customer service and so there is no clear ownership of e-mail within the organisation, or messages might enter the organisation from any number of places, increasing the sense of a barrage of requests, comments or demands.

The research also reveals that although the companies interviewed were early adopters in soliciting customer e-mail, 60 per cent of them still manually route messages. Unsurprisingly, the report concludes that e-mail management is a mess and that some users would rather do without e-mail altogether.

The situation is arguably no better with e-mails that circulate within the organisation. The problem here is that e-mail is a victim of its own success, as one of the more readily implemented IT tools. Use has proliferated beyond the means to manage the traffic because e-mailing chimes so well with the operations of the modern enterprise. It has the flexibility to cope with business processes, for which, in a world of fast-paced markets, decentred collaboration is crucial to compete.

The Rank Group, the leisure and recreation company, is one such disparate organisation, with 40,000 employees spread over 700 sites around the world. As such, it is reliant on efficient e-mail facilities, in this case in the shape of a Lotus Domino and Notes communications infrastructure.

"It's how we recently concluded a major new deal," says Robin Hall, director of corporate IT at Rank. "Because we had fast, effective Internet e-mail through Interliant, we could ship documents around the world rapidly in order to close a multinational deal."

But the company has to employ another supplier, Interliant, which hosts a number of customised server applications, to manage traffic across the network.

Nationwide, the building society, similarly has to cope with a community of promiscuous e-mail users. "We are lucky in that we have always had a single e-mail system across the enterprise, but the downside of this is that anyone can contact everybody," explains Francis Walsh, divisional director for technology.

The company is now migrating to Microsoft's Outlook messaging solution, which will take the user base up to 12,000, potentially exacerbating the problem, although Mr Walsh is quietly optimistic.

"I don't know quite how it happens, but what we are beginning to see here is people complaining, either electronically or personally, when they feel they are dealing with too much junk e-mail," he says, suggesting that it is important for users simply to wise up to e-mail etiquette, and cut out the spamming, as the netheads of old might have put it.

Another dimension to the problem is the rise of virtual offices, belonging to jet setting business professionals and sales teams out meeting customers. E-mail here can be a godsend, doing no more or less than making possible a job that would otherwise be unworkable.

But this still contributes to the escalation of volumes. "In 2003, approximately 137m employees worldwide will be involved in remote access as part of their jobs. This substantial increase in the end-user population will introduce increasing IT management challenges," says John Girard, vice-president and research director at Gartner Group.

"IT organisations are increasingly looking to provide a standard connections interface for remote access users as a means of simplifying their environment."

Infonet's DialXpressway is an example of one new product designed to meet the needs of the mobile professional and the supporting IT organisation by providing remote access through a standardised graphical user interface.

Using proven Internet technologies is a strategy being adopted by other organisations. For example, the Society of British Aerospace Companies (SBAC), the trade association for the UK aerospace industry, found an Internet-based system for sharing information, documents and threaded discussions an attractive idea.

A simple way to plug into networks: Jim Waldo, chief architect of Sun Microsystems' new Jini technology, gives a demonstration to show multiple devices being hooked up at Sun's research and development centre in Sunnyvale, California. The new Jini software will make the connection of computer devices to networks as easy as plugging in a phone, claims Sun. Mr Waldo is holding Sun's prototype monitor device as he also holds a Nokia cellular phone. Top left is Epson's Web Panel; lower left is a Wireless Palm Pilot; upper right is a Canon portable printer; and lower right is Sun's Jini prototype storage device AP

The company turned to Keltec, the consultants, which installed the AltaVista Forum product. "The beauty of the AltaVista product is that it enables members to access and download documents in everyday software packages such as Word, PowerPoint and Excel. Many of our members already use these systems for other aspects of their work and quickly adapted to them as part of the knowledge sharing system," says Maurice Hesford, SBAC's project manager.

Bob Foster, manager of Internet and multimedia engineering at BT's research laboratories, believes that established technologies like this are still under-exploited in dealing with the e-mail deluge.

He points out that newsgroups – the heart of the Internet's discussion and bulletin board Usenet – are ideal for business collaboration because rather than everyone's inbox becoming cluttered, individuals can read up and comment on the latest developments in their own time.

Simple workflow routines can also be constructed to copy in the secretary when the boss opens the e-mail, or copy in the boss when the secretary writes replies.

"The problem is that not everyone knows about such relatively easy solutions, or that features like workflow rules are just out of reach for lack of an intuitive graphic interface," says Mr Foster.

His message is clear: to simplify a problem, look for a simple solution.

DESKTOP COMPUTING • by Rod Newing

Gigamachines are on the way

By the millennium, 50 million people will be using speech software to control their computers

The desktop computer for the next few years will look very much like today's personal computer. In fact, for many users it may well be their present machine, providing it already has enough power to run Microsoft's Windows NT Server 5.x operating system.

However, unlike today's PCs, it will only operate in conjunction with a server, in the same way as a network computer.

It will therefore combine all the advantages of easy management and low cost of ownership that typify a network computer with the benefits of flexibility, local hard disk space and the (disabled) removable media of a PC.

Users who complain about the loss of freedom to do what they want with their PCs will soon accept the overwhelming economic arguments for central control.

Included in Windows NT 5.x is IntelliMirror software that allows the server to maintain each user's desktop operating system, applications and data.

This facility stores software and data, either temporarily, called "caching", or permanently, called "mirroring", ensuring the desktop computer is completely synchronised with the server.

"Oracle's Network computer debate played into the hands of the big four PC manufacturer's by highlighting the total cost of ownership," says Michael Winkler, senior vice-president responsible for PC products at Compaq, the leading PC manufacturer.

"There is now so much manageability in a PC with its disk drives disabled. The age of user-empowerment has given way to the era of centralised control and the common operating environments that have made the desktop more manageable."

This arrangement works well because staff now spend so much time away with customers and share communal desks when they are in the office. It allows users to access their familiar desktop from any computer in any office in the world, as well as from their notebook computer, pocket computer or personal communicator.

Many users will be using Lotus eSuite, or e-Office, the Microsoft equivalent that appeared on the streets almost instantly once the Lotus solution started selling in high volume for the PC platform.

These cut-down personal productivity suites are designed to produce electronic documents and sell for a tenth of the price, yet provide the 20 per cent of functionality that users most want compared with the old bloated suites that are being phased out.

"We will be in a server-centric world to manage desktops," predicts Simon Levin, research director at Gartner Group, the industry analysts. "There will be a disassociation between the content and the tools required to create it.

"The HTML and XML Internet document standards provide the flexibility needed, so the concept of a word-processor, spreadsheet and graphics package will be broken apart.

"You could also have a million different versions of the old personal productivity suites, each customised for different users."

Network computers and Windows terminals are being used by clerical staff for specific tasks. However, Mark Lucente, a researcher at IBM's T J Watson Research Center in New York, expects that some will be using keyboardless computers, which are network computers with touch screens and speech control.

"They will be a vision of simplicity," he predicts. "You will take one out of a drawer if you need it."

According to Compaq, the Java programming language already runs 10 times better on a Windows platform than a network computer. Although today's PCs will run the new simpler Web-based applications adequately, some users will want new machines.

Known as "gigamachines", these will be running at a speed approaching one gigahertz (1,000 megahertz).

"You will want a gigahertz machine for multimedia, three dimensional graphics, continuous speech input, visualisation, video conferencing, and so on," says Pat Gelsinger, vice-president and general manager of business platforms at Intel, the leading manufacturer of the computer chips that power personal computers.

"We will also introduce 'constant computing' to utilise the unused idle power."

Intel expects to use compression to reduce data sizes stored on servers and transmitted across networks by between a half and two-thirds. This will make huge savings in upgrade costs of networks and servers.

Providing secure private networks is expensive, so organisations will use the public Internet, but all data and communications will be encrypted. Both compression and encryption are processor-intensive tasks that need the power of a gigamachine.

Speech is another task that requires a fast processor. "By the millennium, 50 million people will be using speech software to control their computers," Mr Lucente predicts.

"You will be able to ask your browser to find you things on penguins in Antarctica or dictate your e-mails, which will be multimedia, so instead of dictating the text you could record your voice and it would automatically arrive at either the recipient's PC or telephone. People will realise that voice is more valuable than the same words recorded as text."

Sadly, most of us will still be using our bulky cathode ray tube monitors. "Special shallow 17-inch monitors will be available to reduce footprint," says Jerry Meerkatz, vice-president and general manager responsible for monitors at Compaq. "And 21 and 24 inch monitors will also be used.

"As manufacturing costs come down, new markets will open up for flat panel liquid crystal displays but mainstream users will be the last to use them after finance, health care, banking, insurance and retail."

"It will take years to replace the cathode ray tube," admits Danny Chapchal, chief executive officer of Cambridge Display Technology, which is developing a new generation of flat plastic screens that use light-emitting polymers.

"Today's LCD displays have slow refresh rates and a narrow angle of vision. LEP won't have appeared by 2000, but will arrive in 2005 and won't have the disadvantage of current screens."

Mr Lucente predicts that we will use the cheaper passive LCD displays as additional screens on our desks. "They are slow and not very bright or sharp, but they can display documents," he explains.

IS YOUR PC NETWORK HOLDING YOU TO RANSOM?

If the answer is yes, then you are invited to see how a Thin Client/Server system can free you from the tyranny of the upgrade-and-replace cycle. NetSoft Solutions and Lloyd's insurance services are holding a launch event for Microsoft Windows/NT Terminal Server Edition on the 24th September at the Lloyd's building. Speakers from Microsoft and Netsoft will provide an overview and demonstration of this technology.

For more information, and to reserve your place for this early evening session, please contact Ashley Robertson at NetSoft Solutions on 0171 360 4555 or e-mail info@netsoft.co.uk

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FT IT

The networked world

The next issue of the monthly FT Review of Information Technology, appearing on Wednesday, October 7, will highlight the latest advances in the networked business world. Synopsis details are available via the FT-IT fax-u-back service on 0990 209 903 (for callers outside the UK, the number is +44 990 209 903).

MULTI-FUNCTION MACHINES • by Joia Shillingford

Ideal for smaller offices

A new wave of flexible machines that fax, scan and print, make economic sense

Multi-function machines that can copy, print, scan and fax are starting to appear on the market. Buyers find them tempting because they offer three or four functions for little more than the price of one.

Machines on the market include Hewlett-Packard's LaserJet 3100 laser printer and fax with copying and scanning. This comes with a set of instructions so clear they must surely be among the best in the industry.

The 3100 costs £499 and makes an excellent plain paper fax. It also makes a good scanner and copier for the home office. But pages must be inserted into the machine, so it would be impossible to scan or copy a bound report unless it was taken apart. The quality of scanned images is very good, though complex images will come out smaller. The machine can also be used to send faxes directly from the PC. It can receive faxes direct to a PC too, but HP wisely advises against this.

The main drawback of the machine is that because most of the software is on the PC (you load it via a CD-Rom), you need a lot of memory before you can use it as a printer, or as a PC fax. HP says your machine should have 16 megabytes of random access memory (RAM), Windows 3.1x or a later operating system and 20 megabytes of spare hard disk. The other drawbacks of the machine are that it is quite tall and therefore conspicuous, and the wire tray for collecting copies or scanned images looks flimsy – though the machine works without it. Hewlett-Packard also sells a number of other multi-function machines, whichincorporate a combination of inkjet printing and other functions.

Other suppliers of multi-function machines include Canon, Brother, Pitney Bowes, Sharp and Xerox. Many MFDs can be used to print scanned-in photographs and a number can be used as network printers or local-area network faxes. The Sharp F-3600M can be used with DPA EGAMI-MFP software to provide a simplified electronic filing system for the small office. And there are models from Pitney Bowes and Hewlett-Packard which have flatbed scanners on their top surface, so they can be used to photocopy or scan in pages from bound books or reports.

Multi-function machines have three main advantages:

☐ Price – it is definitely cheaper to buy a combined fax, copier, printer and scanner (or a printer/copier/scanner) than three or four separate machines.

☐ Space – if you have limited space, a multi-function machine makes a lot of sense.

☐ Convenience – you only have to make one purchasing decision. And you can position a multi-function machine near your PC, so you don't have to keep getting up to make copies, collect printouts or whatever.

But information technology consultant Friedman Wagner-Dobler warns: "Because most of the multi-function machine software is on the PC, it can sometimes conflict with other PC programs. Or slow down the operation of the PC."

Deborah Sauer, vice-president of marketing at US-based facsimile company Pitney Bowes, says when several machines are combined into one it is sometimes necessary to leave out a few features. So users should decide which function is most important to them when choosing a multi-function machine.

"If they mainly want a fax," says Ms Sauer, "they should make sure it has all the features they normally use. For example, multi-function machines won't always have the fastest fax modems and this can cost more in phone time in the long run. Or, if the customer is primarily looking for a copier, they should choose a machine with a flatbed copier on top."

"In a home with limited space, multi-function machines come into their own," says Ms Sauer. "But in an office, people are used to dedicated machines and may not be willing to wait for a colleague to finish a copying job before they can send an urgent fax."

Another problem is that if the machine fails, the user will be more inconvenienced. It is bad enough not to be able to print out, but if the user can't print or fax it could seriously disrupt their day." We find," says Ms Sauer, "that business customers often ask for multi-functional faxes at the specification stage. But they don't always use all the features when the machines are installed. So leasing faxes is becoming a popular option. Then, customers can start out by meeting their main requirements, but add machines with other features later."

The new wave of multi-function machines is not the first to hit the market. Several hybrid office machines appeared in the late 1980s and had little success. But GIGA Information Group predicts that multi-functional products will leap in sales from $311,000 in 1994 to an estimated $7.2m by 1999.

There are several reasons why they could be more successful this time. First, advances in miniaturisation mean the machines are much smaller. Second, they are cheaper. And crucially they are hitting the market at a time when many PC users have had their machines long enough to want to try something new – especially if they can do so at little extra cost.

Surprises in the new millennium

☐ From previous page:

about 50 per cent of their time outside the office.

Such a scenario suggests a 25 per cent reduction in office space. But while technology is making knowledge-based workers more location-independent, most studies suggest that

John Chambers, Cisco's chief executive: he envisages a future where his company's networking equipment will facilitate the transmission and distribution of any form of data stream

face-to-face contact and human interaction are still seen as vital components for corporate success.

Therefore, some people suggest there will be a growing requirement for the provision of both meeting rooms and communal areas inside corporate buildings.

Looking even further ahead, a Henley Centre report for Barclays Life called *2020 Vision* suggests that, by 2020, swathes of the workforce will have short-term or temporary contracts, "with up to one month a year unemployed or under-utilised".

Gazing into their crystal ball the authors suggest: "Work in 2020 will be different from now. We will be working shorter hours and many of us will be operating from home.

"Commuting will change dramatically. There will be a rail renaissance with 350mph magnetic levitation trains zooming into the major cities."

Most people will drive to work on private automated highways. Others will travel to work using mini-helicopters. The wealthiest may use the space shuttle to commute from the UK to Los Angeles or Sydney in less than two hours.

The Henley Centre report continues: "The virtual office will become the norm in many industries, and 10 per cent of FTSE 100 companies will be virtual, without a centralised headquarters."

The online world will also transform business, creating "friction-free" capitalism. "There will be an entrepreneurial boom as baby capitalists use the Web to identify sources of venture capital across the globe. Recruitment practices will be transformed as the labour market goes global, as people place their CVs online and wait for the response."

As Henley itself notes, failures in previous forecasts are legion. Nevertheless, it seems a safe bet that the millennium office will hold plenty of surprises.

Financial Times Surveys

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MOBILE SERVICES • by Joia Shillingford

A more flexible way of working

In Sweden's most modern offices, in-house staff communicate by mobile phone – and even the desks are mobile

Mobile services, such as cellular phones and mobile data, mean the modern office can be set up anywhere. They are also putting pressure on services within office buildings to be equally flexible.

This trend is leading to a variety of developments, such as dual-mode handsets, which can be used in or outside the office, and the use of mobiles as a second phone for workers to take calls on when their other phone is busy.

In Sweden, it is noticeable that, when an employee wants to call a colleague in the same building, a mobile is often used.

The same method is used, for example, when a café owner wants to order a taxi for a customer. People are using mobiles because they find them more convenient, even when they are not far from a fixed phone.

This was happening at the BBC: staff change desks often and can be hard to track down, so employees often ended up calling each other's mobiles first.

This habit is expensive and the company has been giving trials to dual-mode handsets developed by BT and Ericsson, which act as digital cordless handsets inside the office but switch to a GSM mobile network outside it.

In Finland, the Kymi Telephone Company is planning to use GSM mobile phone infrastructure from Nokia to provide cordless phone services within companies.

"With Nokia's solution [the Easywave Access network] we can offer mobility to our customers without investing in a mobile network with full coverage," says Reijo Liukkonen, managing director of Kymi.

At DEGW, the London architectural design consultancy, an SDX Index switch has been installed that supports a high proportion of Dect cordless handsets as well as personal voicemail.

The company says it has substantially reduced disruption to staff who previously answered colleagues' phones when they were away from their desks.

It has also avoided the costs normally associated with changes to phone cabling when desks are moved.

Within the next year, DEGW plans to introduce wireless local area networks for laptop and desktop PCs. Ron Harrison, of DEGW, says the technology changes at the company were "essential in enabling new ways of working to be introduced".

At the Archipelago, Digital's Stockholm offices, even the desks are mobile. Professor Clive Holtham, of City University, says: "There is not just an absence of cellular offices, there is also a lack of desks.

"Office workers arriving in the morning collect their personal caddies from what is effectively a caddy garage. They look up in the roof for a free PC, stored high up and moved down via a cantilevered extension. Then they pick up a mobile internal phone."

Mobiles are also starting to be used as a second office extension. People waiting for an important call give out their mobile number so the caller can still get through when they are on the other line.

A whole host of mobile services are coming to market that promise to make life easier in and out of the office. One of these is Bluetooth, a standard led by mobile phone companies Ericsson and Nokia and backed by companies including Intel, Toshiba, IBM, Motorola, Lucent, 3Com, Compaq and Dell.

Bluetooth enables mobile and fixed devices to communicate with each other by means of 2.4 GHz short-range radio. For example, a personal organiser can use a nearby mobile-phone to send electronic mail without any physical link between the organiser and phone. Or a report, held on a laptop computer, could be printed out with no physical connection between the printer and computer.

This technology will increase the flexibility of office-based workers as well as those who only drop in between business trips. Products based on Bluetooth are expected to appear next year.

Architects are also starting to consider the needs of fixed and mobile workers separately. DEGW's policy is to gain best use of space by categorising workers according to how much time they spend in the office.

It has come up with three categories: fixed place working for administrative staff, project teams based in project areas for limited periods and nomadic team members, generally senior managers, who are away from their desks for up to 40 per cent of the week.

"At British Airways' new Waterside offices north of Heathrow, there are two types of workspace, desk-based and mobile," says Mr Holtham.

"Mobile workers use either 'hot desks' – desks booked when they are needed – or can go to a stand-up chest high docking station if they just want to check something on a computer."

All phones can be assigned an employee's logical number and all staff, mobile or otherwise, can book out an internal mobile phone. Videoconferencing is available, too, from workstations on each floor.

John Lane, of the London consultancy, Pagoda, says: "Introducing mobile or home working in conjunction with desk-sharing can result in dramatic savings on premises costs.

Large consultancy firms, for example, now have just one desk for every three or even four staff, a situation which has helped to reduce the premises' costs per head from £10,000 a year to £3,000, or less.

Staying in touch: dual-mode handsets for use inside or outside the office are becoming popular

TELECOMS • by Christopher Price

A wireless world

Micro, digital wireless and IP technology will be the main office advances

As convergence gathers pace in the telecommunications sector, the developments that will shape the office of the future are beginning to fall into place.

"The key feature for the telecommunications of the future will be wireless," says Prof. Peter Cochran, head of research at the British Telecoms Laboratory. "That will have a huge impact on how and when people communicate."

This is already evident even for the humble fixed telephone. Cordless phones, despite having been around for many years, have been given a new lease of life through the introduction of the Digital Enhanced Cordless Telephony (Dect) standard.

Dect was originally developed for the European business market, but its success in banishing the crackling of analogue cordless phones of old has led it to be adopted worldwide.

It offers crystal clear cordless communications across several handsets and at distances of up to 300 yards. Dect also ensures secure communications so that the only party to a conversation will be the caller and receiver.

The latest Dect phones also allow up to six cordless phones to be run off one base station, and for calls to be transferred between them. In addition, internal calls can be made between different phones.

Philips, one of the pioneers of Dect, says the potential for both the business and consumer market is "huge" as more features are added in the future. Plans include increasing the number of handsets operating from a base station, extending the range and introducing networking/Internet capabilities.

Telecom Italia, the Italian phone operator, has gone a step further, teaming up with Siemens to establish a network of Dect base stations in 28 Italian cities which will enable users to make calls and be reached on their home number wherever they are in the network.

The Dect Forum, a Geneva-based industry association, says product sales amounted to 5m last year, are forecast to rise to 9m this year and hit 20m in 2000.

How calls – and data – are delivered will also feature prominently in the next millennium.

Internet or IP telephony has long been mooted to do for the telecoms industry what the worldwide computer network has done for the data market. However, developments in making voice traffic suitable for the Internet have been slow.

This is set to change with the pace of development accelerating, raising predictions of IP's penetration. Forrester, the US research group, forecasts that IP telephony services in the US will rise from $30m this year, to $2bn by 2004.

Because Internet calls cost the same whatever the distance, international traffic is expected to be one of the areas companies will look to save money. So, too, are faxes and – with the growth of company intranets – intra-company calls.

"Change will be driven by the growth of data and IP," says Adrian Sharman, senior manager of market strategy at Nortel Europe. "The challenge for business will be in managing that change." Mr Sharman believes that IP will become a company's main source of communications.

Multi-functional phones and IP telephony may have important implications for the workplace, but developments in wireless technology are likely to make their effect felt outside the office walls.

Recently, Psion, the UK hand-held computer group, formed a joint venture company with Motorola, Ericsson and Nokia – three of the world's biggest mobile phone groups – to develop the next generation of wireless hand-held devices.

The move was seen as a defining moment in the convergence of the hand-held computer market and the mobile phone. The companies said that the development of products such as "smart" phones, capable of sending and receiving electronic mail and browsing the Internet, would follow.

Prof. Cochran at BT believes a basic voice-only mobile communicator will be fitted inside jewellery and other appendages in the not-too-distant future. "Earrings, pens or rings. That sort of thing."

In addition, a company's ability to communicate via a mobile phone will not be limited to the coverage of their network operator. This month the first global satellite system for hand-held mobile phones is launched, enabling calls to be made to and from virtually anywhere in the world.

The Iridium consortium has signed agreements with cellular partners around the globe, who will market and administer the service.

Users will need special hand-sets, which are likely to cost around $3,000. Calls to and from developed countries are likely to be between $4 and $6 a minute. However, both of these are likely to fall when two other systems – Globalstar and ICO – launch in the next two years.

Another generation of satellites is due to be launched early next century which will carry multimedia traffic, such as the Internet. Again, these will allow the delivery of data to and from anywhere in the world to suitably equipped computers.

Teledesic, a consortium backed by Bill Gates of Microsoft, is planning to spend $9bn putting its satellite constellation in place. Skybridge, which is backed by Alcatel of France, will launch its project at a cost of $6bn.

All of which means that the choice for telecoms needs in the future will be greater than ever. But how much businesses actually need some or all of these developments to remain competitive is debatable.

Motorola recently announced the merging of its Celestri satellite project into Teledesic amid fears that there would not be sufficient demand for three competing systems.

Mr Sharman at Nortel says: "There won't be a huge ripping out of existing equipment. Businesses will be concentrating on re-engineering what they have already."

Cellnet user: office communications are becoming wire-free

WIRELESS BUILDINGS • by Alan Cane

Cutting those cabling costs

As the usage of mobile phones intensifies, it makes sense to rationalise equipment

Once it was enough to provide executives on the road with mobile phones and modems to enable them to keep in touch. Now telecoms equipment manufacturers and cellular operators are seeking to provide mobile communications *within* buildings as well as without.

The evolution of the "wireless" office, where cellular phones have largely replaced the fixed variety, is regarded as an inevitable step in the progression to what Orange, the UK mobile operator, describes as the "wirefree society".

The basis for this conviction is the inexorable growth in mobile phone penetration. Most mobile operators now expect 50 per cent of the European population to own a mobile phone by 2004 or 2005. Scandinavia is already close to this level. It follows that offices in the early years of the next century are likely to feature innovative uses of mobile technology.

According to Northern Telecom, the Canadian manufacturer, office workers in North America spend on average 2.5 hours a day away from their desks and phones at a cost to businesses, because of their inability to communicate instantly, of over $3bn a year.

So there are powerful reasons to install mobile communications. Manufacturers have already shrunk mobile base stations or antennae to the size of small boxes, easy to fit to a wall or ceiling.

In the wirefree future, a phone number would identify an individual rather than the location of a particular handset. Office workers would park their mobile phones in docking stations on their desks and carry the handsets when wandering around the building. (Nortel's "Companion" system, for example, works with existing phone systems and provides features such as voice mail).

British Telecom is giving its customers a glimpse of the future with "OnePhone", launched for business use in June 1997 and for domestic customers this year. OnePhone combines two mobile standards, Dect – the European standard for cordless phones – and GSM, a global standard for digital cellular phones in a single mobile handset.

Dect technology involves base stations which replace fixed handset bases and are connected to the conventional telephone network. They are capable of transmitting digital signals to mobile handsets up to 300 metres away. Outside that range, the handset switches over automatically to GSM transmission and reception.

Bygone work: cable-checking in central London, 1925

There have been other staging posts on the road to wirefree communications. Among a package of new products announced by Orange in June was a new professional switchboard, the IPBX which, the company claims, integrated wireless telecommunications with traditional switchboard technology.

To be launched later this year, the switchboard manages traffic between fixed office phones and mobile phones: "The mobile phones will be seen as normal extensions by the switchboard which means that mobile users can be contacted simply by dialling their mobile extension number from any office phone," Orange says.

The prospects of equipping office workers with a new generation of communications technology is sparking intense interest among telecoms manufacturers in in-building and urban coverage. A recent conference on the subject, sponsored by ADC Microcellular Systems and Motorola of the US, attracted contributions from Cellnet, Telefónica Moviles, France Telecom Mobiles, Ericsson, Nokia and Alcatel among others.

ADC Microcellular, a division of the US supplier of transmission and networking systems, launched a GSM system for in-building coverage in February.

Essentially, the system is a cost-effective, scalable micro GSM network based on intelligent active antennae or base stations, which gives users the ability to roam through a building while receiving or sending voice and data information. Why GSM?

"We decided not to change a technology that has 50m subscribers worldwide," says Michael Fitzgerald, ADC Microcellular managing director.

The antennae are connected by conventional video cable which, ADC says, can cover 600 metres easily and can snake through the most tortuous ducts and cableways. Cost-savings compared to traditional radio frequency distribution methods range from 15 to 50 per cent, ADC claims.

It is clear that wireless buildings will still play host to masses of cabling although it may be substantially more "building friendly" than earlier varieties (wiring together personal computers using heavy grade coaxial cable was often an office manager's nightmare).

The most modern cables can themselves act as antennae. Andrew Corporation, a US-based supplier of communications systems equipment and services, has developed a flat strip *radiating* coaxial cable which is easy to install.

The cable acts as a long antennae, replacing conventional base stations. The Andrew cable is described as "leaky" – it has slots or cuts milled into the outer conductor. The cable leaks a controlled amount of radio-frequency energy through these slots to the outside.

Radio frequency coverage is therefore continuous along the cable's length compared with a conventional point-source antennae.

Leaky cable from Andrew has been used for the emergency communications system at Munich's new exhibition centre, opened this year.

Besides video cables and leaky cables, there is the obvious advance of virtual cables. Philips Semiconductors has developed a method of communications based on Dect technology that can transfer data at up to 28.8 kilobits a second between computers and other data devices.

"Virtual cable is significantly cheaper than other, competing solutions," Philips says. "It instantly removes the problem of communication cabling for a number of old and new applications. Just plug the devices into the appropriate port, switch on and it works instantly as if there were a real cable connecting the two."

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TELEWORKING AND OUTSOURCING

Working from home is far easier now

Setting up a freelance office at home maximimes flexibility for you and your client

Early last month, my former boss came to visit me at my home office, elated at having just sold his share in the public relations and advertising agency he co-founded 15 years ago. He now plans to start another agency.

But unlike the previous venture, there will be no bricks and mortar office, and he will not recruit account handlers, media buyers and graphic designers to join the company as and when the level of business allows it.

Instead of an office, there is a web site, and instead of salaried employees, all functions will be outsourced to a team of freelance teleworkers. In effect, this means the new agency can offer the same level of service and expertise from day one as the former company could after 15 years' development.

The people working for this company could be located anywhere, they may not know each other, and the likelihood is that they also work for other companies. For them, the office of the millennium is probably a spare room or a converted outbuilding.

The intention is to push the virtual model even further, with clients being steered towards the company web site as the primary point of contact, to read about the company's services, skills and credentials, to check the progress of their projects, and to view and approve artwork.

In other words, with a combination of relatively unsophisticated (and certainly inexpensive) technology and outsourcing, it is now possible to set up a virtual company boasting all the skills and resources of one carefully nurtured for 15 years.

It is also interesting to note that, having sold his stake in the old bricks, mortar and bodies company, my former boss still owned the most valuable asset in terms of setting up the new, virtual company. This can be summed up as the knowledge he accrued over 15 years of building up a client base, recruiting and training staff, and managing the business.

The virtual company model, in which all non-core activities are outsourced,is one increasingly adopted by start-up companies. For example, several in the biotechnology sector style themselves as development companies, licensing in drug candidates which they steer through clinical trials (the trials themselves being run by third parties), and then licence out to pharmaceutical companies when they are ready for marketing.

Established companies initially turned to outsourcing, be it in catering, cleaning or IT, as a way to reduce head count and cut costs.

Now, there is a move to outsource all activities which are regarded as non-core. As a result, an employee in the office of the millennium is likely to be dealing more and more with people who work for outsourcing companies which are supplying services or handling business processes, such as accounting, billing, supply chain management, customer services or personnel, that were traditionally handled by internal departments.

While all these functions rely on different, specialist skills, they all depend on IT for their efficient delivery. Indeed, much of the push to outsource business processes has come from IT service suppliers seeking to expand their portfolios.

Research published by IBM in June shows that 90 per cent of all companies will have outsourced at least part of their information technology by 2001, when the European outsourcing market will be worth $40bn.

Hans Ulrich Maerki, general manager of global services for IBM in Europe, says: "Increasingly, this is not just about getting IT out of the way, but getting help to improve business processes."

He refers to this as strategic outsourcing. "You are no longer looking at one partner for the entire piece. There are more differentiated offerings, and suppliers are more mature and specialised. Not even IBM can play the whole piano."

Specialist services will become more complete. For example, the company which provides the help-desk for PC users may also provide end-user training. To date, it is large corporations that have adopted strategic outsourcing, but in the next few years small and medium-sized companies (SMEs) will enter the market.

IBM is planning a number of outsourcing services for SMEs: it recently launched a service providing the SAP enterprise resource planning system to SMEs on a bureau basis, allowing them to use this notoriously expensive software, without having to make the huge capital investment of installing their own systems.

As more business processes are outsourced, end-users could find themselves having to handle a number of different computer interfaces. If this proliferation of interfaces is not handled properly, it could slow the development of the outsourcing market.

"The more different service providers you have, the more sophisticated the management system has to be to deliver them seamlessly to the end-user at the desktop. The aim should be to make this transparent in the same way as when you call a number today you don't know if you are speaking to the company or to an agent."

For the worker in the office of the new millennium, the paradox will be that as head count is reduced through outsourcing, the enterprise becomes more extended.

Nuala Moran

THE EVOLVING OFFICE ENVIRONMENT • by Joia Shillingford

Back to the drawing board

Office changes over the last 30 years have been retrograde in many ways

After decades of predictions about the office of the future, many offices are still stressful places to work. Below, we look at how they have changed and to what extent information technology can make the office friendlier to staff and the environment.

Professor Clive Holtham of City University Business School points out that each new decade since the second world war has seen a new vision of the future office emerge. "In the 1940s," he says, "it was Vanevar Bush with his idea of a PC-like machine accessing vast amounts of information connected together by hypertext [links].

"H G Wells had earlier (in 1936) argued for a World Encyclopaedia, close to the Internet's World Wide Web."

"IT has brought about much of this connectedness," writes Prof Holtham in *The Office of the Future*. "But H G Wells' vision remains unfulfilled by the Web because of its lack of quality mechanisms and, hence, lack of authority of content."

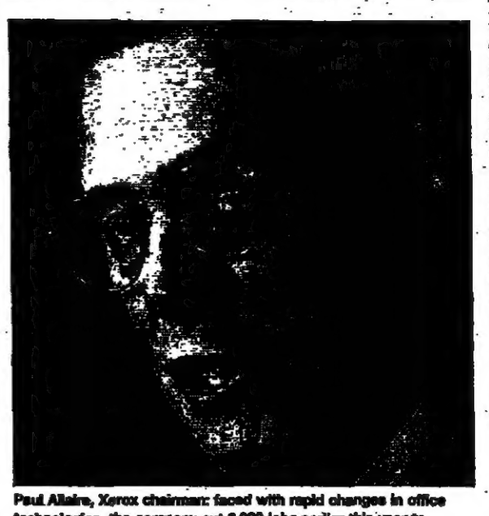
In the 1960s, says Prof Holtham, the drive for the integration of information followed the development of business computers. By the mid-1960s, Robert Anthony and others popularised the term "management information systems".

But today, though enterprise systems, such as SAP and Baan, integrate information quantitatively, the 'PC Mindset' means too much data is held on personal hard disks, he says.

"This is a move backwards," argues Prof Holtham. "The slow and inefficient central filing system was actually a better method of information co-ordination."

But in the 1960s, the ideas behind modern office automation were born. That was when, according to *The Office of the Future*, Doug Englebart at the Stanford Research Institute invented the mouse; plus the windowed interface (though not graphic windows or icons, which were invented at Xerox Parc); hypertext in software; word processing; outlining; groupware and multimedia.

He used what we now call videoconferencing, superimposing his windowed interface over an image of himself to give a speech 30 miles away (from his Palo Alto base), in San Francisco.



Paul Allaire, Xerox chairman: faced with rapid changes in office technologies, the company cut 9,000 jobs earlier this year to strengthen its position in the fast-growing business of digital copiers and printers AP

Some present believed the face of the office would change overnight. In practice, it did not. Prof Holtham believes the architecture of the early standalone IBM PC discouraged group working in the office, moving away from Mr Englebart's vision of knowledge workers collaborating via intense computer support.

In the 1970s, the vision was of the paperless office. "Word processing began to replace typewriters but the paperless office also really needed low-cost scanners and cheap hard disks (available by the mid-1990s)," says Prof Holtham. The dream of the 1980s was teleworking or "ubiquitous computing" with mobile phones as a key enabling technology.

This has not taken off as fast as predicted in the 1980s. "This is not a limitation of technology," says Prof Holtham. "If anything, it was limited by how far and fast organisations and individuals were willing to change processes and mindsets."

The 1980s (and late 1980s) have seen some creative office designs put into practice. These include:

☐ Catalyst 400, an IBM reseller which set up without offices.

☐ US advertising agency Chiat Day and several consultancy firms which have implamented "hot desking", where staff book desks as they need them.

☐ Danish hearing-aid company Oticon, where staff are encouraged to "think the unthinkable" and the building is set up for lots of discussion. The office is paperless but spoken conversation is preferred to e-mail.

☐ British Airway's new offices near Heathrow, where the building design caters for both high-speed networks and low-tech networking (in the form of accidental meetings).

Not all of the ideas tried have worked. For example, in 1988, Chiat Day announced that it was reversing some of its earlier innovations.

In the late 90s, there is much talk of the virtual organisation, made up of loose groups of people coming together to work on specific projects, or of people working for the same company but spending a lot of time out of the office.

Over the decades, there have been changes in the visions of the office and changes in physical design. For example, the development of high rise buildings, which don't need separate rooms to support the structure, has led to the spread of open-plan offices.

There have also been huge changes in the technology used in the office, with PCs, PC networks, and now electronic mail coming to dominate. Employees on the road have also become part of the office through use of laptops, e-mail and mobile phones.

Has this made the office more friendly to staff?

Not necessarily: in some offices, people talk less, sending e-mails to people in the next cubicle. Moreover, Prof Holtham believes e-mail is not the best tool for collaboration.

"The physical office of today technically integrates leading-edge communications and data-storage technologies," he says. "But it has almost completely failed to address the growing bundle of problems that are arising from flattened organisations, greater numbers of mobile workers, and the fast-growing nightmares of information overload and time-based stress.

"When a manager says, 'It is almost impossible to do knowledge-work here – it has to be done at home,' there surely has to be some revisiting of the assumptions behind conventional wisdoms in office design."

Prof Holtham adds that "office workers feel subject to greater stress than ever before. Managers, in particular, are working longer hours than 20 years ago."

But there is one clear winner in the changing pattern of office work: if staff travel in to work less often, the environment benefits because of reduced traffic pollution. "Intelligent building systems" can also reduce the amount of power and light used when only a few staff are left in the building.

Whether staff benefit depends on whether they are working at home because they want to or simply because they cannot get enough done in the office during normal office hours.

Whatever the answer, the office – along with the paper it is still filled with – is unlikely to die out soon. "There remains a strong humanistic need for face-to-face contact on both a structured and unstructured basis," says Prof Holtham. "The physical office can score well on both these counts.

"It is noticeable," he adds, "that although Catalyst definitely does not have offices of its own, it remains dependent on other people having offices – its service provider, its customers, its hotels, its main supplier and, in particular, its own staff's home offices. Even the company without offices depends on offices."

Many issues affecting the office of the future will be covered in the next three issues of the FT's monthly Review of Information Technology.

☐ Themes for the October 7 issue will include the networked world, the growth of call centres, plus new directions in image creation and manipulation.

☐ Topics in the November 4 issue will include the IT skills crisis; plus a focus on IT in government.

☐ The December 3 issue will include a focus on technologies for small and home offices.

☐ Synopsis details are available via the FT-IT Fax-U-Back Service: see announcement on page 2 of this survey.

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